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# FINANCIAL TIMES

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## NEWS SUMMARY

### GENERAL

#### Egypt and Israel exchange envoys

Egypt and Israel exchanged ambassadors for the first time in 30 years amid Palestinian protests and an Israeli warning of a new arms race in the Middle East.

Schools, offices and shops were closed on the West Bank and there was a half-day strike in Gaza.

Credentials were presented by Israel's Eliahu Ben-Elissar and Egypt's Saad Murtada. Page 4

#### U.S. Primary poll

Officials predicted a record poll in the New Hampshire Presidential Primary which traditionally gives Americans the first indication of political trends.

#### Savak 'victims'

Alleged victims of the deposed Shah's secret police Savak were presented to a United Nations Commission in Tehran.

#### Jenkin ruling

Social Services Secretary Patrick Jenkin told the Commons that the suspended members of the Lambeth, Southwark and Lewisham Area Health Authority are to be reinstated. Page 9

#### Tito 'weaker'

Condition of Yugoslavia's President Tito deteriorated, with his heart weakening and pneumonia persisting.

#### Heart transplant

Wolverhampton man Paul Coffey, 23, became Britain's 13th heart transplant recipient in a four-hour operation at Papworth Hospital, Cambridge.

#### Soccer chief dies

Manchester United football club chairman Louis Edwards died aged 64, a month after allegations were made against him in a television programme.

#### Sakharov plea

Exiled Nobel Peace Prize winner Andrei Sakharov again asked Soviet authorities to try him in an open court. Page 2

#### Portugal crisis

Portugal's Centre-Right Government faces a major challenge with a Parliamentary debate on its economic policy and anti-inflation measures. Page 3

#### Surinam move

Junior officers who seized power in the former Dutch colony of Surinam plan to transfer some administrative work to a civilian body. Page 4

#### £1m pools win

Burton-on-Trent brewery worker David Preston, 47, won at least £850,000 on Vernons and Littlewoods pools, and may have scooped the first £1m win. Years ago he won £100,000.

#### Water surprise

Diners at a riverside inn near Ringwood, Hants, watched in amazement as a car with two pensioners inside floated past. Two men later rescued William Wilson, 72, and his wife Gladys, 70.

#### Briefly...

Gatwick airport customs officers seized cocaine worth £433,000.

Four Britons were remanded in custody in Montpellier, France, charged with smuggling cannabis from Morocco.

Nine people were killed and 40 injured when a bus crashed near Bangalore, India.

Two Japanese climbers fell 2,500 feet to their deaths in the Mont Blanc range of the French Alps.

### BUSINESS

#### Gold up \$13; Dollar firm

GOLD rose \$13 in generally quiet London trading to finish at \$640.3. The gain was attributed mainly to short covering.

DOLLAR remained firm, but showed little overall movement in anticipation of further rises in interest rates. It finished at DM 1.7625 (DM 1.7613) and its trade-weighted index dropped to 86.1 (86.2).

STERLING traded quietly and rose to a high point of \$2.2815, though it closed 5 points down at \$2.2765. Its trade-weighted index was unchanged at 72.9.

EQUITIES trading was dampened on gloomy pre-Budget assessments from Treasury economists and poor prospects for a speedy steel strike settlement. The FT 30-share index reflected the narrow overall price movements, ending the day at 453.6 (453.7), but the Deminor offer for Viking Oil promoted speculation in the secondary oil sector.

GILTS hardened in early trade, but eased later on ahead of today's long tap applications. The Government Securities index closed 0.11 off at 65.58.

WALL STREET was up 2.65 at 82.46 just before the close.

## Unemployment up by 9½% since last September

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

Adult unemployment in the UK has jumped sharply again in the past month to bring the total rise to 119,200, or nearly 9½ per cent since last September, when the upturn began.

Industry has responded to a weakening of domestic demand and a financial squeeze by cutting recruitment and increasing redundancies. That has been reflected in a sharp fall in the number of vacancies notified to employment offices, now at the lowest for two years.

Department of Employment figures published yesterday show that the number of adults out of work in the UK rose by 46,400 in the month to mid-February to 1,389,000, seasonally adjusted.

That is equivalent to 5.7 per cent of the workforce. It is the largest monthly rise since October, 1975, and takes the total to its highest since May, 1978.

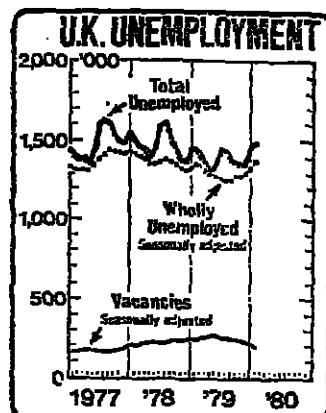
The average rise of more than 40,000 in the past two months is similar to the monthly increase in the last recession, in 1975, when unemployment rose by nearly 500,000 in 12 months.

Officials yesterday gave warning that the increase in January and this month may have owed

something to the steel strike, one result of which might have been to make some employers even more cautious about recruitment. They suggested that it would not be safe to speculate that the rise would be maintained at its present rate throughout this year.

Nevertheless, Treasury projections last November of an average unemployment figure of 1,650,000 in Great Britain (excluding Northern Ireland) during the 1980-81 financial year imply a total of probably 1.8m in a year's time.

That might have been revised upwards after the latest, particularly gloomy Treasury projection of a sharp fall in output over the next year. However, some economists, inside and outside Whitehall,



consider that forecast too pessimistic.

The change in labour market conditions is also shown by a further fall in notified vacancies, down 15,500 to 1,014,000 in the month to mid-February, seasonally adjusted.

Continued on Back Page Regional map Page 6

### TOTAL TO CUT 1,300 JOBS

Total, the textile group, is to cut 1,300 in a further scaling down of its involvement in basic spinning and weaving activities. The group will spend £5m on re-equipment at one of two remaining spinning mills at Lisnaskea in Northern Ireland. Back

## Decca plans talks with JVC over TV plant

BY JOHN LLOYD

VICTOR COMPANY of Japan (JVC), a subsidiary of Matsushita Electric, is believed to be the potential buyer of Decca's television plant at Bridgnorth, Shropshire. Talks between Decca and a major Japanese company are due to begin next week.

Decca, which was acquired earlier this month by the Racal group, is anxious to dispose of its consumer electronics division, which is making an annual loss of about £1m.

Interest in the Decca plant has also been expressed by Mr. Gulu Lalvani, chairman of the Binatone electronics distribution group, who has plans to make pocket televisions there. Mr. Lalvani, who acquired the rights in the Microvision pocket television from Mr. Clive Sinclair last year, has two possible partners, one from Japan and one from South Korea. But Decca is known to be leaning toward a sale to the alternative bidder.

The Decca plant produces about 120,000 sets a year, including a range adapted for Prestel, the Post Office's view-data system. Its acquisition by JVC would mean that four Japanese companies—Sony, Matsushita, JVC's sister company National Panasonic and JVC itself—would operate independent plants in the UK.

While Hitachi and Toshiba have joint ventures with the General Electric Company and Rank, JVC is a financial subsidiary of Matsushita but, unlike National Panasonic, operates largely independently. It was the first company in the world to develop a successful video cassette system, the VHS.

It has also developed a video disc system, the VED, which it will market in association with Matsushita—though the parent company has earlier worked on a quite separate system. In this market it has lagged behind Philips—which has begun test

marketing of its disc system in the U.S.—and the U.S. company RCA, which has just started market trials.

While no details have been discussed between JVC and Decca, it is thought possible that the Japanese company may wish to make cassette or disc players in the UK. There is no manufacture of either in this country.

The video cassette market is dominated by three companies—JVC, Sony and Philips, each with different and incompatible systems. Total exports of video cassette players from Japan last year were nearly 1.7m, of which 553,000 were exported to Europe.

JVC reckons it has between 10 and 20 per cent of the video cassette market in Europe, where Philips is strong. It claims to have sold 135,000 sets in the UK last year, or more than 70 per cent of the 180,000 sets sold.

## NatWest profits increase 44%

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

NATIONAL WESTMINSTER Bank increased its UK pre-tax profits last year by 67 per cent, leaving profits for the group as a whole 44 per cent higher at £441.5m.

NatWest, the second of the big four clearing banks to report 1979 results, acknowledges that the increased profits are largely the result of a higher interest rates in the UK.

Thanks to the substantially increased profits, the dividend paid to shareholders is going up by 31 per cent. In addition, the profit shared out among the staff goes up 56 per cent to £21.1m.

Like Lloyds, which last week reported UK profits rise of 90 per cent last year, NatWest was anxious yesterday to place

more emphasis on its inflation adjusted results.

These figures show a 17 per cent increase in current cost pre-tax profits, against a 28 per cent increase at Lloyds.

NatWest's return on capital on a current cost basis is in the region of 17 per cent, about the same as Lloyds but more than half that achieved last year by large, quoted industrial and commercial companies, according to estimates from stockbrokers Phillips and Drew.

These companies' 1979 profits are reckoned to have declined by about 15 per cent on current cost basis.

On traditional, historic cost, accounting, the domestic banking contribution is put at almost 70 per cent of total group

results. NatWest says that about 30 per cent of the higher UK profits were attributable to increased lending volume.

Despite tougher conditions in international banking, yesterday's figures show that the international banking side of NatWest also achieved better results. The international profit contribution was more than £100m in sterling terms, approximately 22 per cent of the total.

The NatWest results were lower than stock market expectations, which had been bolstered by the Lloyd's performance last week, and the shares closed 15p down at 355p.

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## Budget to ease capital taxation

By Peter Riddell, Economics Correspondent

THE GOVERNMENT will start to implement its promised reduction in the burden of capital taxation in next month's Budget, but it has rejected proposals to index capital gains tax in order to disregard paper profits resulting solely from inflation.

Similarly, it has turned down suggestions that capital gains tax should be tapered so that the liability is progressively reduced the longer the asset is held.

Both proposals are regarded as administratively too complicated, especially for shares, and too costly both for the Inland Revenue and for taxpayers.

Instead, any changes are likely to involve an increase in the limit below which tax does not have to be paid, and possibly a reduction in the rate from the present 30 per cent. Abolition of the tax is unlikely, partly because the yield is now £500m a year, including the capital gains tax paid by companies, which is included within corporation tax.

Changes in capital transfer tax are seen as easier to implement, and it is likely that the starting threshold will be raised from the present £25,000. The top marginal rate may also be reduced from the present 75 per cent.

There has been a major study of capital taxation under Lord Cockfield, Minister of State at the Treasury, following the promise by Sir Geoffrey Howe, the Chancellor, in his June Budget, that he wanted to make the taxation of capital simpler and less oppressive.

Several options have now been identified, but final decisions have yet to be taken, and will depend on the overall financial and political balance of the Budget. It is possible that only some of the changes will be made this year, with more to come in 1981.

While the revenue cost of changes in capital taxation is relatively small in the coming financial year because of time lags in the method of assessment and collection it could be large in following years. The Government is likely to take account of these full year costs in its decisions.

Changes are also possible in company taxation. In a speech in London last night Sir Geoffrey hinted that special help might be given in the Budget to save companies from having to pay extra corporation tax when their stocks are temporarily reduced because of strikes and other factors. The current concession only applies

Continued on Back Page

## Polling starts for black Rhodesians

BY BRIDGET BLOOM AND MICHAEL HOLMAN IN SALISBURY

NEARLY 3m black Rhodesians begin voting today in the country's pre-independence elections. The army, reservists and police have been mobilised to provide massive security for the polling.

The election is the most important step following the Lancaster House agreements in ending the guerrilla war and bringing the country to black majority rule after nine decades of white minority supremacy.

At stake in the three-day election are 80 black seats in the 100-member assembly. Already 20 white seats have been filled by members of the Rhodesian Front, led by Mr. Ian Smith, the former Prime Minister, following elections earlier this month.

Most observers predict that Mr. Robert Mugabe's ZANU-PF will emerge as the largest single party, but without an overall majority. The constitution gives the Governor considerable discretion when deciding whom he should call on to form a Government and he could in theory ask either Mr. Joshua Nkomo of the Patriotic Front, or Bishop Abel Muzorewa, the outgoing Prime Minister, who leads the United African National Council, to head a coalition, even if Mr. Mugabe's party secures the most seats.

Some 70,000 men, including regular forces and the 20,000 strong army auxiliary wing, have been put into the field for the elections despite the marked fall in violence during the ceasefire. Armoured troop carriers moved through Salisbury and other main centres yesterday.

But cities and towns throughout the country, their streets festooned with election posters, were reported quiet last night.

Lord Soames has banned political meetings between today and the announcement of the results on March 4.

Nearly 600 British policemen who arrived at the weekend have been posted to the polling stations.

In Dar es-Salaam, President Julius Nyerere of Tanzania, who is angry at what he describes as British attempts in his elections, last night presided over a hastily called summit of black Africa's "front-line" states.

President Kenneth Kaunda of Zambia, President Sir Seretse Khama of Botswana and a high-level delegation from Angola were attending the meeting as was President Samora Machel of Mozambique.

Election prospects Page 14

### £ in New York

	Feb. 25	Previous
Spot	\$2,371.0	\$2,360.3600
1 mth	0.84-0.89	0.85-0.90
3 mths	1.01-0.96	0.95-0.91
12 mths	2.60-2.50	2.40-2.35

Mr. Nkomo has offered himself as a candidate of national unity and reconciliation while the Bishop's campaign has been

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## EUROPEAN NEWS

# David Marsh reports on the Bank for International Settlements, 50 years old today

## Half a century of the central bankers' bank

ON FEBRUARY 27, 1930, four months after the Wall Street crash and slightly more than a year before the collapse of the Austrian Credit Anstalt, a group of central bankers met in Rome to sign into existence an institution which has become the world's monetary watchdog.

Born among the storm clouds of international financial crisis, the Bank for International Settlements, the "central bankers' bank" in Basle, celebrates its 50th birthday today in a world whose problems at first sight appear no less oppressive. The main industrialised countries face mounting unemployment, rampant inflation and persistent payments imbalances—conditions which could hardly be further from the goal of stability and hard money sought by generations of central bankers.

Yet it is a measure of the growth of international economic co-operation—the guiding principle the bank has fostered for half a century—that governments as well as central banks are now tackling the problems with a degree of uniformity and collaboration undreamed of in the 1930s.

The bank is quietly pleased that the emphasis of economic policies nearly everywhere in the West has shifted towards a monetary attack on inflation—as is shown by this month's round of interest rate tightening in the U.S., Europe and Japan.

Even the secretariat of the Organisation for Economic Co-operation and Development, formerly a strong supporter of Keynesian policies, is now tak-

ing a leaf out of the Bank for International Settlements' textbook by arguing for tough anti-inflation measures. As Prof. Alexander Lamfalussy, the bank's Economic Adviser, puts it: "There is now no conflict between the goals of 'expansion' and 'stability'."

It is a measure of the growth of international economic co-operation—the guiding principle the bank has fostered for half a century—that governments as well as central banks are now tackling problems with a degree of uniformity and collaboration undreamed of in the 1930s.

Pointing out that the economic slowdown forecast for the U.S. and elsewhere is taking a long time to appear, he adds: "We are fighting inflation because it is already here; recession has yet to arrive."

The switch to hard money policies, combined with a new-found commitment to managed floating, has sharply reduced fluctuations on the foreign exchange market since the dollar support package of November 1973. The gold price, on the other hand, has rocketed. But this has merely tended to reinforce the bank's view that despite the demonetisation drive of the early 1970s, gold is the sounder money which could always be expected, under Gresham's Law, to drive out the paper variety.

The impetus behind setting up the bank came partly from the desire of central bankers, particularly Mr. Montagu (later

Lord) Norman of the Bank of England, to improve the co-operative arrangements put into practice during the 1920s crises. But the bank was established primarily as an independent international institution to administer outside the British areas the Young Plan for

at the annual meeting in June with speeches, dinner and a Brahms symphony, central bankers from over 70 countries will be there.

The bank was quickly brought in to help muster support for central banks stricken by the central European monetary crisis of 1931. But it was powerless to prevent the breakdown of the Young Plan and the final collapse of the gold standard that year.

The bank has been carrying out short-term bridging operations for central banks in distress ever since. Notable recipients over the past decade include Britain, Portugal, Turkey, Belgium and Sweden. But the bank's limitations are just the same as they were in 1931. As one way of guaranteeing its independence from politicians, it is forbidden by statute to lend money to governments. And it was never set up to be a true international central bank with its own powers of money creation—the leaders of last resort can only be the central banks.

The bank's transactions side has grown enormously. Its balance sheet (expressed idiosyncratically in Swiss gold francs) today totals around \$45bn, compared with \$6bn ten years ago and \$100m in the 1930s. Most of its liabilities—around \$40bn—represent monetary reserves entrusted to it by client central banks. It invests a large part of these deposits on the Euro market.

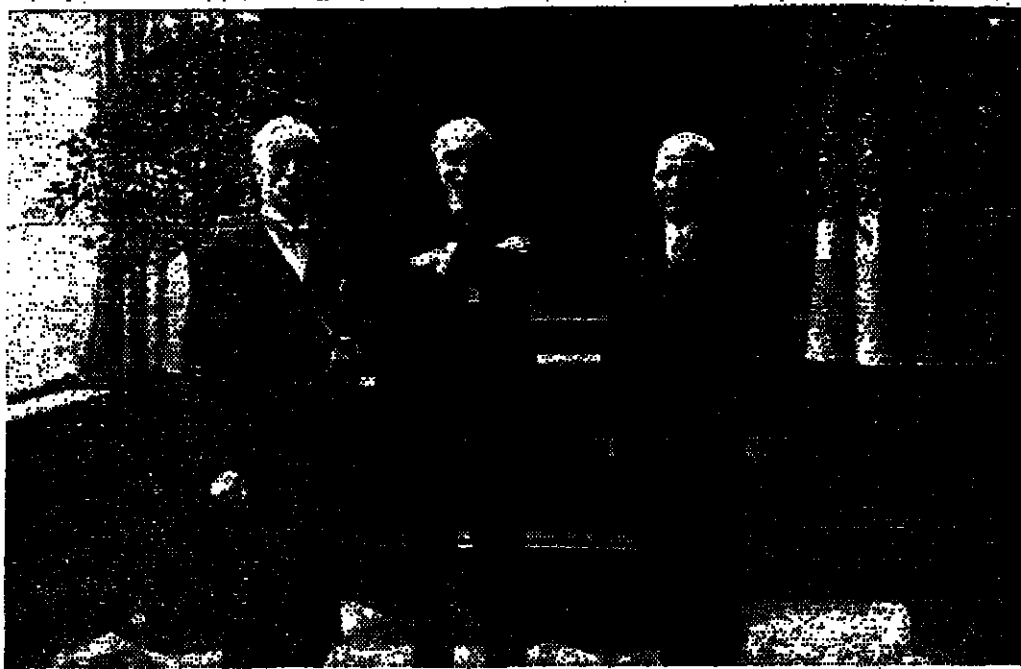
Over the years, it is the bank's role as an informal forum for international monetary co-opera-

tion—a central bankers' club—which has won it most repute. The regular monthly meetings of central bank governors were established as a permanent fixture in Basle right from the beginning in 1930, providing an opportunity for personal contact and discussion out of the public eye—and well away from the politicians. The bank went into a limbo during the war, although it continued to publish the much-acclaimed economic surveys contained in its annual reports. Partly as a result of allegations of pro-German bias (aroused particularly by the bank's hand in transferring Czech gold to the Nazis in March 1939), a proposal was made in 1944 that it be wound up.

But the American Government backed down when it realised the bank would complement the new Bretton Woods institutions, the World Bank and International Monetary Fund, in the task of post war reconstruction. (Indeed, the bank was subsequently made agent for the Marshall Aid programme.)

The central bankers from the main industrialised countries thus returned to Basle in December 1946—and have been meeting there regularly, ten times a year, ever since.

The Basle gatherings have always been discreet. The last time the bank courted undue publicity was when its first president, Mr. Gustav Meißner, made an unsuccessful radio broadcast in 1931 appealing for international common sense over reparations.



Flashback to 1930 and a meeting in Basle to prepare for the start of BIS operations. From left are Sir Charles Addis, director of the Bank of England; Mr. Montagu (later Lord) Norman, Governor of the Bank of England; and Dr. Hans Lohr, president of the German Reichsbank.

There was, however, considerable drama in the 1960s, with central banks' vain attempts to control the gold price and the series of rescue packages for sterling all worked out at "billion dollar weekends" in Basle.

But the only headline news to come out of Basle over the past few years has been the support package worked out to help Britain run down its sterling balances in January 1977.

Central bank governors, living in a world which has now become accustomed to flexible exchange rates and swirling movements of international money, are clearly a more pragmatic breed than

their predecessors of the 1930s. The two new heads of the U.S. and West German central banks, Mr. Paul Volcker at the Federal Reserve, and Herr Karl Otto Poehl at the Bundesbank, have both already won the approval of their colleagues on the central bank circuit.

The new note of pragmatism was struck resoundingly last month at the first Basle meeting of the 1980s, where the major central banks ruled out any attempt to control the rocketing gold price by selling from their stocks.

The central banks' studious lack of concern at gold's unparalleled price gyrations in

January certainly marked a break with the traditions of the past. But for M. René Larré, the bank's general manager, who has been a constant supporter of the monetary role of gold during his nine years at the bank, it was also a sign of something older and deeper—and essentially unchanged—about central banking philosophy.

M. Larré says it is quite clear why central banks will not sell off gold for paper money even at present high prices. "Just as a doctor is suspicious of drugs, central bankers mistrust paper money because they know how easy it is to print. They will always prefer gold."

## Iran denies it will quit Eurodif

BY SIMON HENDERSON IN TEHRAN

IRAN IS to continue to participate in Eurodif, the European-based uranium enrichment consortium, after a series of contradictory statements, including one from Mr. Sadeq Othman, the Foreign Minister. He was quoted last weekend as saying that his country was pulling out of the project.

The clarification, made by Mr. Fereydoon Sahabi, head of the Iranian Atomic Energy Organisation, in an interview on

Radio Iran, indicates full Iranian responsibility towards its international financial obligations. It could lead to the unfreezing of interest payments and repayment on a \$1bn loan made by Iran to the French Atomic Energy Commission. These were frozen by a Paris court last November after Iran failed to make other contractual payments to Eurodif.

Iranian participation in the project—a legacy of the Shah's

regime and the then grandiose plans for nuclear power plants in Iran—is to continue for the present while further discussions are held with the rest of the consortium. The main shareholder is France, with Italy, Spain and Belgium also participating.

Iran will not buy the enriched uranium to which its 10 per cent shareholding entitles it but will be discussing how to pay the money it owes.

## Sakharov calls for open trial

MOSCOW—Dr. Andrei Sakharov, the Soviet dissident physicist exiled to Gorky, which is closed to foreigners, yesterday again called on the authorities to put him on open trial. The 58-year-old scientist said in a statement read out in Moscow by his wife that he was ready to stand before an open court "knowing that in a just state only a court can determine measures and form of punishment."

Reuter

## Socialists expected to abandon Cossiga

BY PAUL BETTS IN ROME

THE ITALIAN Socialist Party is expected to confirm today that it will withdraw its tacit support of the minority administration of Sig. Francesco Cossiga. The move could push Italy a step nearer a political crisis, since the Government's survival depends on the abstention of the Socialists in Parliament.

Socialist leaders indicated yesterday that the political truce which led to the formation of the Government last summer was now over. The party would no longer support the administration indirectly in Parliament but would vote against it in the first major debate.

However, despite the Socialists' growing hostility towards the Government, there are still considerable doubts whether the party intends to force a showdown. It appears to be playing for time until after the Christian Democrat Party's National Council meeting on March 5, which is due

to elect a new secretary-general and chairman.

The National Council follows last week's Christian Democrat congress, when the ruling party firmly rejected any question of Communist participation in government. This indicates a significant move to the Right and the Socialists want to see if the National Council confirms it.

This shift, in turn, has fuelled further the rift in the Socialist Party between the Right, which is opposed to the Communists, and the Left which favours a government including them.

Although none of the main parties wants to precipitate a government crisis which could lead to an early general election, the Socialists feel they will lose ground in the local elections.

tions scheduled for late May or early June. The Socialists are particularly worried about losing votes to the smaller Social Democratic party, which is part of the Government and has a number of Cabinet Ministers.

This appears to be the main reason which would lead the Socialists to bring the Government down. It would clearly prefer to see another stop-gap minority Government formed before the local elections without the presence of the Social Democrats.

Indeed, there is already talk of possibly replacing the current Christian Democrat, Social Democrat and Liberal alliance with a minority Christian Democratic administration.

In the longer term, this would not resolve the political deadlock and would serve only to postpone a major confrontation between the Christian Democrats and the Communists, especially since the latter have firmly stated that they will stay in opposition unless they are offered Cabinet seats.

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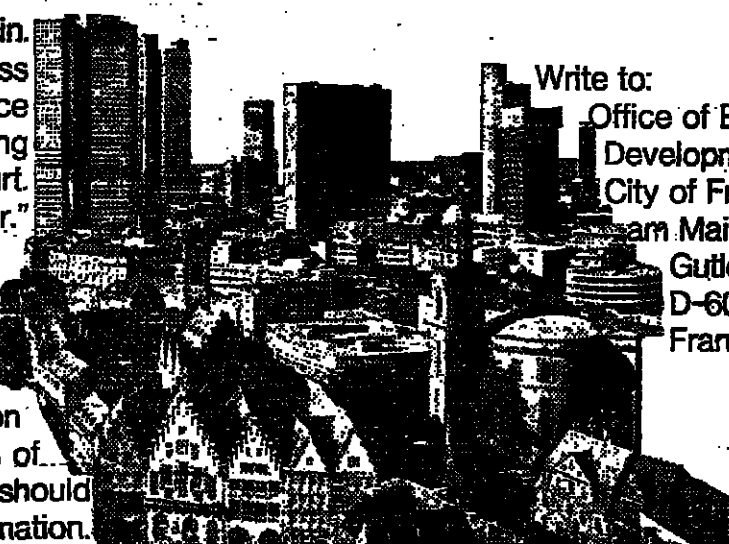
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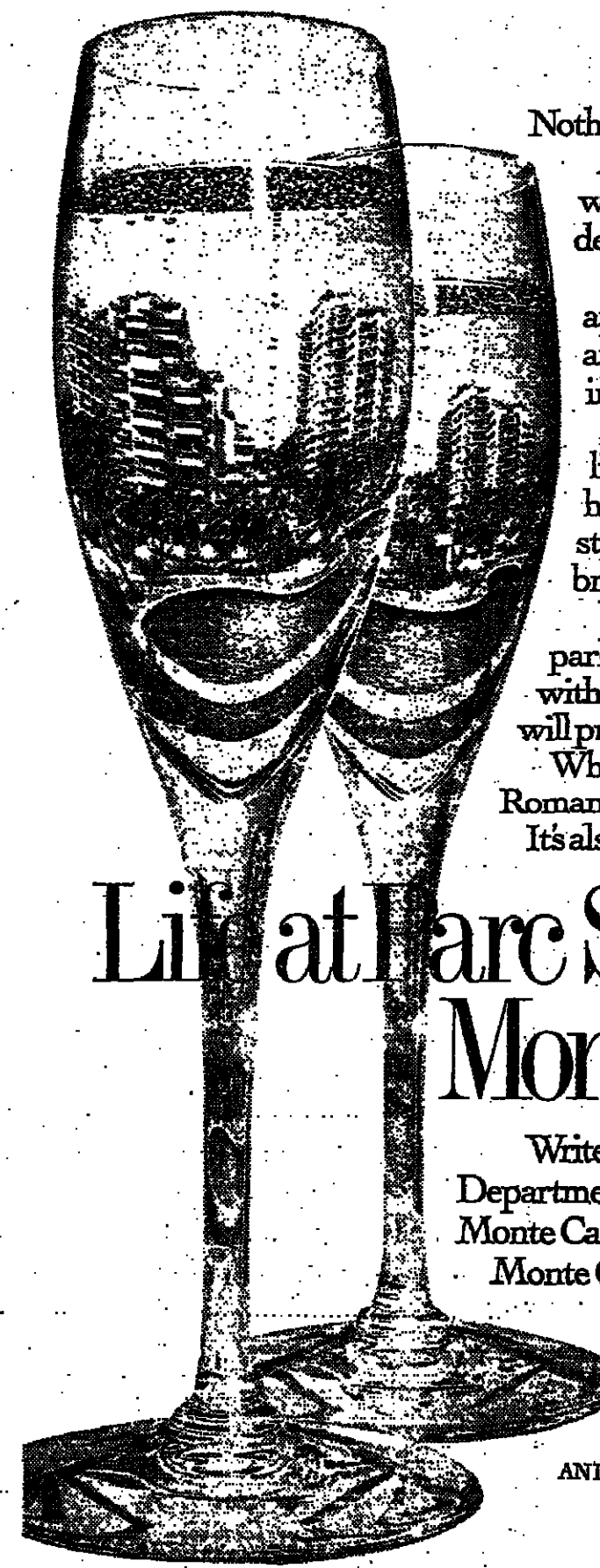
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## Rocard ready to run for President

BY ROBERT MAUTHNER IN PARIS

M. MICHEL ROCARD, leader of one of the minority factions of the French Socialist Party, made it clear last night that he was prepared to run as his party's candidate in the next presidential election, due in the spring of 1981.

The 49-year-old M. Rocard, who represents the Social Democratic wing of a party whose official philosophy remains well to the left of its sister parties in West Germany and Britain, has long been considered the most likely successor to M. Francois Mitterrand as the Socialist's presidential standard-bearer. But his path so far has been blocked by M. Mitterrand who, despite his 63 years and two defeats in previous presidential elections, has given no indication that he is prepared to throw in the sponge.

Since the Socialist's congress in April last year, at which M. Mitterrand narrowly retained

control of the party machine by forging an alliance with the party's Left wing, M. Rocard has adopted a low profile. If he has now come off the fence, it is not solely because only 15 months remain before the presidential election takes place, but because M. Mitterrand's strategy of resuscitating the Socialist's alliance with the Communists has proved to be no more than a pipe-dream.

The French Communist Party's support for the Soviet invasion of Afghanistan has hampered the last nail into the Union of the Left's coffin, confirming all the previous indications that the Communists are no longer interested in an alliance with the Socialists.

M. Rocard has thus seen his views at least partially vindicated. In a television interview last night, he said he would be prepared, if elected President, to form a homogeneous govern-

ment of Socialists and like-minded political groups, but excluding the Communists.

M. Rocard was careful, however, not to give the impression that he was openly crossing swords with M. Mitterrand, whose achievements as party leader he praised. Ruling out any suggestions that the party might organise "primaries" on the U.S. model to elect its Presidential candidate, M. Rocard said that the candidate would be chosen by consensus this autumn.

Given that M. Rocard's supporters in the party are still very much in the minority, there can be little doubt that he faces an uphill struggle. But it is significant that national public opinion polls put M. Rocard well ahead of M. Mitterrand as the candidate who is likely to present the biggest threat to President Giscard



M. Rocard: emerging from the wings

## Portugal's economic policy under fire

By Jimmy Burns in Lisbon

THE PORTUGUESE centre-right Government is facing the first major challenge to its economic policy since it took office last month. The Socialist and Communist parties have pressed for an extraordinary debate on the Government's anti-inflation measures and have opposed plans to open up the economy to the private sector.

The debate will not involve a formal censure motion and even if a vote were to be taken next week, the Government's survival would be assured by its six-seat majority in Parliament. However, it will give Portugal's opposition parties an opportunity to confront Cabinet Ministers publicly.

Sr. Anibal Cavena Silva, the Finance Minister, will face a barrage of questions on what the opposition views as the more ambiguous aspects of his policies.

The Government, for example, appears to have gone back on its electoral pledge to introduce free collective bargaining by introducing instead an indirect income policy. Although no formal wage ceiling has been specified, the Government has stressed that any salary increases this year must be compatible with its aim of reducing inflation from 24 per cent to 20 per cent.

The unions see this as meaning that wage increases will not be allowed to go above 20 per cent which they regard as unacceptable.

The Government is also committed to containing unemployment. But it is yet to explain adequately how it proposes to introduce strict cash limits and price controls in the debt-ridden public sector without unleashing a series of mass redundancies. Sen. Cavena Silva, however, is expected to defend his only first step in an overall plan to put the economy on a firmer footing.

He will almost certainly remind Parliament that next month's budget will include generous tax cuts and social measures designed to counter a four-year slide in real wages.

This week's debate comes in the wake of a crippling week-long strike by Portuguese air traffic controllers.

## West German consortium plans N-reprocessing plant in Hesse

BY KEVIN DONE IN FRANKFURT

A CONSORTIUM of West German power companies has filed a preliminary application to build a nuclear fuel re-processing plant in the state of Hesse. DWK, the West German nuclear fuel re-processing company which represents the interests of 12 different utility companies, expects the ensuing public inquiries to last at least three years.

Construction of the plant, which would be able to re-process about 350 tonnes a year of spent nuclear fuel, would take a further five to six years.

The application by DWK is one of the first signs that West Germany is moving slowly towards resolving the confusion that has surrounded the development of its nuclear industry.

Plans supported by the Government for the construction of an integrated "nuclear park" including re-processing and storage facilities, at Gorleben in Lower Saxony, founded in May last year, when they ran into vehement local opposition.

The Gorleben plant would have had an annual capacity for re-processing 1,500 tonnes of spent nuclear fuel, but it appears that DWK has given up any hopes in the medium-term of building such a large-scale facility. (The Windscale plant in the UK will have a capacity of 1,200 tonnes a year).

Its hopes of finding a suitable site in Hesse, in central West Germany, for a smaller plant have been fostered, however, by the surprising encouragement of the Hesse state government.

Herr Günther Scheuten, chief executive of DWK, made clear this week that the first move in promoting the application had been made by Herr Heinz Herbert Karry, the Hesse Economics Minister.

Hesse is ruled by the same Social Democrat - Free Democrat coalition that is in power in Bonn, and Herr Hinger Börner, the state Prime Minister, was one of the most outspoken supporters of a continuing commitment to nuclear

power at the recent Social Democrat party conference in West Berlin.

The state government clearly believes that some action must be taken to resolve the current impasse over the building of new nuclear power facilities and it is also keen to attract the possible 2,000 new jobs to Hesse that would be provided by the DWK plant.

The re-processing company does not yet have a specific site in mind, but it expects to be able to identify one before the end of the year. The plant would be about ten times larger than the only existing re-processing plant in West Germany, which has been operating successfully in Karlsruhe for the past ten years.

The proposed Hesse plant should be large enough to cope with the re-processing of all the waste from West Germany's existing nuclear plants. DWK is particularly keen to get this project off the ground to ensure that the West German industry is able to keep alive its interests in re-processing technology.

## Northern oil hunt opposed in Norway

By Fay Gjester in Oslo

THE Norwegian Government's plans to permit exploratory drilling for oil off the country's northern coast, this summer, are opposed by 50 per cent of the population, an opinion poll shows.

Only 34 per cent are in favour of the plans and 16 per cent are undecided. Among north Norwegians, 70 per cent are opposed, according to the poll. Offshore petroleum drilling north of the 62nd parallel has been banned because of the pollution risk to the area's rich fish stocks. Now the Government intends to allow a "cautious" start in these waters, and three concessions have been awarded.

The Storting (Parliament) is expected to confirm its approval of the exploration in the summer months only, after a debate early next month, and drilling is expected to begin in May.

Pollution fears have not been helped by a report in a north Norwegian newspaper that there are no plans for coping with oil collected from a spill in northern waters in the event of a blow out. An official of Statoil, the state oil company, replied that the company planned to charter tankers to take away spilled oil, but he admitted that the proposed had not even been discussed with tanker owner.

## France to tighten credit control

BY OUR PARIS STAFF

FRANCE is planning to tighten its credit control policy to dampen inflation, which reached almost 2 per cent in January.

Efforts to restrain the growth of credit and money supply have already led to a spate of interest rate increases. These have meant the establishment of a new bank base rate of 12 per cent, a rise of half a per cent this week.

But the Government has also announced that, from April, it will be putting more rigorous ceilings on the permitted expansion of bank credit. This is aimed at further restricting the growth of the money supply, for which a target of 11 per

cent has been set for this year. Under the system of credit ceilings which continues to attract widespread opposition from the banks, the amount which banks are allowed to lend is strictly controlled, except in certain sectors. The exceptions include credits for exports, for mortgages, for savings for future mortgages and for investments in certain energy-saving equipment.

Until last autumn, only 20 per cent of loans in these categories were subject to the restrictions. But this proportion went up to 40 per cent at the beginning of this year and will be lifted to 50 per cent in April.

Reuter reports from Düsseldorf: The Bundesbank is to continue its policy of combining high interest rates and tight liquidity, thus matching central bank money stock control and interest rate developments. Herr Claus Koehler, a member of the bank's directorate, said in an interview yesterday that it was difficult to conceive of falling interest rates at present. The Bundesbank had never left any doubt that it currently expected no change in short-term rates. In these circumstances, capital market interest rates should normalise, with longer-term rates again climbing above the short-term levels.

## Ban on lamb replaced by levy

BY OUR PARIS STAFF

FRANCE YESTERDAY lifted its controversial ban on British and non-EEC lamb imports and replaced it with a levy. But a French Agriculture Ministry spokesman stressed that the measure was purely technical and did not represent a change in French policy.

What has happened is that French mutton and lamb prices have been above the official floor level for the past two

weeks, thus fulfilling the condition for the automatic lifting of the ban. This is a repetition of the situation in January, when the frontiers were also opened for one week.

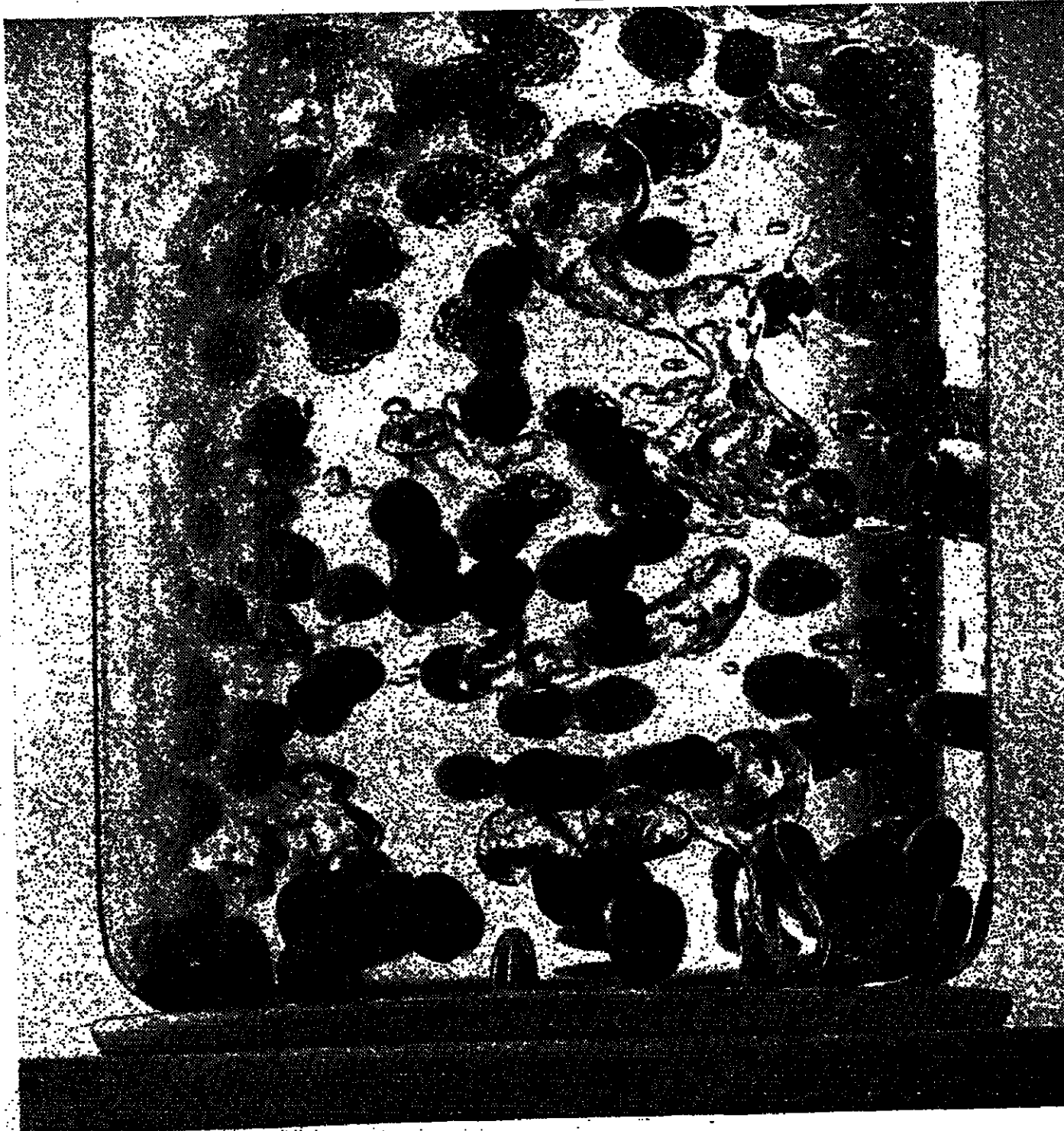
Under the regulations which the French continue to enforce, in spite of the fact that the European Court of Justice has ruled that they contravene the Treaty of Rome, imports of mutton and lamb are banned

when French prices fall below a certain level.

When prices rise to above the floor level, the ban is removed, but imports are still taxed to make up for the difference in import and domestic prices.

From yesterday onwards, lamb and mutton imports will thus be subject to a levy of FFfr 8.50 (about 90p) per kilo.

# The advantages of burning coal like your wife cooks peas.



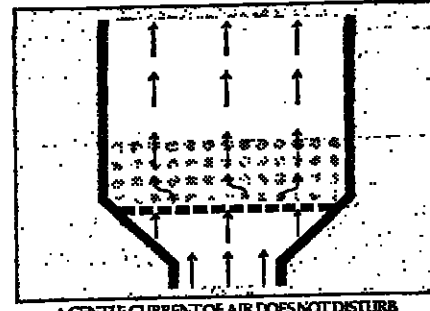
### The simple principle of fluidised bed combustion.

Just imagine a red-hot bed of inert mineral matter like sand or ash.

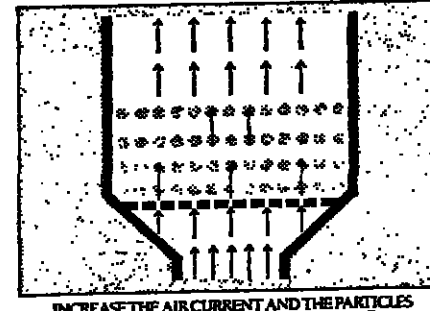
Now pass an upward current of air through the bed—at a certain velocity the particles of sand or ash will become highly turbulent and 'boil' in a similar fashion to a liquid.

You now have a fluidised bed into which you can inject and burn coal.

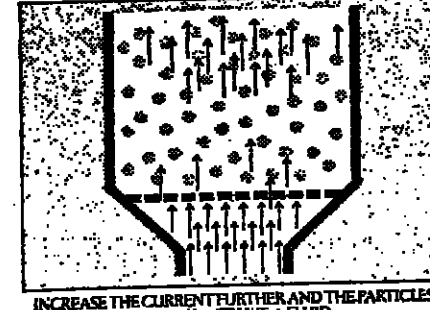
Rather like your wife cooking peas.



A GENTLE UPWARD AIR DOES NOT DISTURB THE MINERAL PARTICLES



INCREASE THE AIR CURRENT AND THE PARTICLES ARE FORCED UPWARDS AND SUSPENDED



INCREASE THE CURRENT FURTHER AND THE PARTICLES BEGIN TO ACT LIKE A FLUID

Save, save, save. Burning coal through fluidised bed combustion provides higher heat release rates than ever before possible.

It has the advantages of having no moving parts in the furnace, and high rates of heat transfer enable boiler sizes to be reduced.

Also, since combustion takes place at a relatively low temperature, a wide range of coals can be burnt efficiently.

On an environmental level, the characteristics of fluidised bed combustion keep the emission of sulphur dioxide and nitrogen oxides well below the accepted standards.

### Putting theory into practice.

Over the years, extensive development and experimental programmes have been carried out on fluidised bed combustion.

The resultant research and know-how means that Britain leads the way in this revolutionary technique.

Several plants already operate on a commercial basis in this country.



### A suitable case for treatment.

Antler Limited are the biggest manufacturers of luggage in the UK, and were the first company to have an operational fluidised bed boiler on its premises. The boiler is a vertical shell type, and it provides space heating for Antler's four-storey building and replaces the old-fashioned Lancashire-type boilers.

The new fluidised bed boiler out-performed its predecessor by coping perfectly with the on-off conditions of Spring and Autumn, as well as having the capacity to deal with the arctic weather of the Winter of 1978/79. However, the biggest difference was in economy.

The thermal efficiency of the new boiler is in excess of 80%, well above that of the old Lancashire-type boilers.

Also, since combustion takes place at a relatively low temperature, a wide range of coals can be burnt efficiently.

On an environmental level, the characteristics of fluidised bed combustion keep the emission of sulphur dioxide and nitrogen oxides well below the accepted standards.

### The tomato plant.

CWS of Marden, near Hereford, grow tomatoes. 8½ acres of them under glass. Half of their greenhouses are heated by a fluidised bed boiler.

The estate manager of CWS, Mr Rossiter, is more than pleased by the way his new system nurtured his tomato seedlings through the ultra-severe conditions of 1978/79, but what impressed him most was the economy angle. 'Our expected bill for oil for 1979/80 would have been £60,000 but with coal-fired fluidised bed we have estimated a saving of about £22,000—and that's a lot of tomatoes.'

If you would like to know just how fluidised bed combustion can help you in your industry get the advice of the NCB Technical Service experts by writing to the address below.

Send to: The National Coal Board, Technical Service Branch, Marketing Department, Hobart House, Grosvenor Place, London SW1X 7AE.

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Company \_\_\_\_\_

Address \_\_\_\_\_

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## OVERSEAS NEWS

# Protests as Israel and Egypt exchange envoys

BY ROGER MATTHEWS IN CAIRO AND DAVID LENNON IN TEL AVIV

EGYPT and Israel took another major step on the road to full peace and normalisation of relations as they exchanged ambassadors yesterday.

The presentation of credentials by Mr. Eliahu Ben-Eliassar, the Israeli Ambassador, and Mr. Saad Murtada, his Egyptian counterpart, took place against a background of protest and suspicion reflecting over 30 years of conflict.

Palestinian inhabitants of the West Bank of the Jordan and the Gaza Strip, whose future Israel and Egypt are currently negotiating, reacted with anger to the ceremony. Schools, offices and shops were closed on the West Bank and there was a symbolic strike in Gaza during the morning.

People of the occupied territories were unimpressed by Mr. Murtada's statement that the talks on autonomy were aimed at restoring "the legitimate rights of all, primarily the right of the Palestinian people to a free and secure life."

Among Israelis, celebration of the historic event was muted by Israeli concern over the

scope of proposed arms sales to Egypt. Professor Moshe Arens, chairman of the Knesset Foreign Affairs and Defence Committee, said that a deal involving sophisticated combat aircraft would endanger Israel's security and spark off a new arms race in the Middle East.

Opposition groups in Egypt again denounced the establishment of diplomatic relations and raised Palestinian flags in protest. The Socialist Labour Party, which has 30 seats in Parliament, insisted that Israelis should be boycotted as long as they refused to give autonomy to the Palestinians and continued to occupy Arab territory.

The small Left-wing Unionist Progressive Party called off a protest march after it had been banned by the Interior Ministry and announced that 13 of its members had been arrested for distributing Palestinian stickers. The party laid wreaths at the tomb of the unknown warrior and at the grave of former President Nasser.

A protest signed by about 40 personalities, including former Vice-President, Prime Minis-

ters, and officials of the Nasser era, was circulated.

The Egyptian Government issued a statement stressing that the presentation of credentials by Mr. Murtada did not signify recognition of the city as the capital of Israel. Egypt stood by its policy that east Jerusalem was part of the formerly Jordanian-controlled West Bank and that "legitimate and historic Arab rights in the city should be restored."

In Beirut, Mr. Selim al-Hoes, Lebanon's Prime Minister, described the exchange of envoys as a sad day for all Arabs.

In Khartoum, police used teargas to break up demonstrations by university students against the exchange of ambassadors. Streets near the university were littered with debris and were cordoned off.

Sudan has withdrawn its ambassador from Egypt but has not broken off diplomatic relations. Official statements yesterday said the traditional friendship between Sudan and Egypt was capable of surmounting any temporary setback.



Deng Xiaoping: gives way to younger man

## Facelift for China's elderly leadership

By Colina MacDougall

CHINA'S NEW chief of staff, whose appointment was confirmed on Monday, is the most important example so far of Vice-Premier Deng Xiaoping's policy of introducing new faces into the country's top leadership.

Deng, the previous holder of the post, appears to have resigned the job in favour of a career soldier and slightly younger man. Deng has spoken several times of his own retirement before 1985 and has stressed the need to replace party veterans to ensure a smooth succession.

The new chief of staff, Yang Dezhi, is 70 this year (as opposed to Deng's 76). He commanded the Chinese volunteers in the Korean war and, as commander of the Kunming military region in south-west China, ran the campaign in Vietnam last year. His new posting highlights a series of important reshuffles in the military leadership.

The party's Military Commission, the most powerful and secretive body in China, has recently strengthened its standing committee with the addition of four prominent serving officers besides Yang.

Peking's fleet was given a new commander early in the year. Ye Fei, aged 74, was Minister of Communications, in Zhou Enlai's 1975 Government.

The most vital of China's 11 military regions, the Pekin command, was in January removed from a Gang of Four associate, Chen Zilian, and given to the 69-year-old Qin Jiwei. Qin worked with Deng in south-west China in the early 1950s and suffered in the Cultural Revolution.

Early this month came the announcement of a new unit, No. 37003, to guard the security of China's leaders. It replaced unit 8341, Mao's own bodyguard, which he used as a personal spy system.

In the other 10 military regions, at least six commanders have been replaced since mid-January, four by newly-promoted officers whose ages are uncertain but whose first major command came in the 1950s.

A Hong Kong left-wing magazine has noted that the rise in the military's prominence has coincided with the collapse of last year's experiment in democracy. It infers that the liberals in the leadership were forced to compromise with the hawks in the military to suppress China's blossoming freedom of expression.

Tony Walker in Peking adds: The Communist Party central committee is believed to be meeting to consider the rehabilitation of Liu Shaoqi, the former Prime Minister, who was purged in 1968 at the height of the Cultural Revolution.

The committee may consider the fate of the Gang of Four who have been held without trial since their arrest in 1976. Also in doubt is the future of a number of Politburo members, including Mao's former bodyguard, Vice-Chairman Wang Dongxing.

## AMERICAN NEWS

# Rebels consolidate hold on Surinam

BY CHARLES BATCHELOR IN AMSTERDAM

ARMY REBELS who took control of the former Dutch colony of Surinam on Monday were yesterday consolidating their hold on the country and the capital Paramaribo was reported to be calm.

Mr. Henck Arron, the Prime Minister, was believed to be still in hiding according to reports reaching the Netherlands.

Mr. Arron, aged 43, whose Social Democratic coalition government had been in power in the former colony on the Atlantic coast of South America since it gained independence in November 1975, has not been heard of since fleeing from the Paramaribo police headquarters which was shelled by a naval patrol boat on the Surinam river early in the rebellion.

The Dutch Government has expressed concern at developments in Surinam, and the ministers of Foreign Affairs and Overseas Development will meet MP's today to discuss developments.

The Dutch Foreign Ministry

said 10 people were killed and several dozen wounded in the coup carried out by 300 non-commissioned officers and men though none of the 4,000 Dutch people still in the country was harmed. The rebels are not thought to have any political motives, though they have grievances over the army's refusal to allow a trade union and to improve conditions in the country's 800-strong military force.

The rebels have formed a National Military Council, and control all major Government buildings in the capital.

The Netherlands agreed to send development aid worth \$1.35m (\$795m) just before Surinam's independence. The aid payments are being continued by the Dutch Government said yesterday. The former colony's economy has been turned over to cash crops such as cocoa, coffee and sugar which leaves it vulnerable to the fluctuations of world markets.

Over the past few decades bauxite has come to dominate the economy, accounting for 90



Mr. Henck Arron the deposed Prime Minister of Surinam—now in hiding

per cent of commodity exports and 30 per cent of Government revenues. Mining is dominated by two large foreign companies, Surinam Aluminium, a subsidiary of Aluminum Company of America (Alcoa), and Biliton,

part of the Royal/Dutch Shell group.

Since independence controversy has raged over the Government's development plans which many critics say concentrate too much on prestige projects. Expensive plans to open new bauxite reserves in the west of the country are going ahead while public services in the capital are poor.

Unemployment is high while the emigration of many Surinamese to the Netherlands has led to shortages of skilled personnel. More than a third of the 450,000 population fled to the Netherlands before independence fearing economic and political uncertainty in Surinam, and attracted by the generous Dutch social benefits.

A further 2,000 Surinamese are estimated to have arrived in the Netherlands each month over the past year under an agreement which allows immigration up to November 1980. Surinam became a racial mixture of Creoles, East Indians, Indonesians, Chinese, and black Negroes under Dutch rule.

# World Bank considers payments aid for developing states

BY PETER BRUCE

THE World Bank executive meets next month to consider extending its lending operations to provide, for the first time, balance of payments cover to developing countries.

Up to now, the World Bank has been primarily engaged in lending only for specific projects in Third World countries. Balance of payment finance has been handled largely by its sister organisations, the International Monetary Fund, together with the commercial banks.

Only weeks after the Brandt Commission recommended sweeping reforms in the flow of aid to the Third World and just two months after the World Bank announced it would double its capital to \$300m, the executive will meet in Washington on March 18 to discuss the new type of loan.

Confirming the existence of the proposals, Mr. John Merriam, World Bank Information Director, would not be drawn on their possible reception at the meeting but a senior bank economist said he was "optimistic" about general agreement on the draft.

The terms under which the new credits would be granted are vague—some sources have spoken of only 12 to 18 months maturity but Mr. Merriam said money would be available on "normal" bank terms if the scheme was accepted. Bank loans now have an average maturity of about 20 years, with five years grace.

The proposals, believed to have been vigorously pursued by Mr. Robert McNamara, World Bank president, came at a crucial moment for the West's relations with the Third World.

The Third World widely regards the bank as more sensitive to problems associated with economic and political development than the IMF, whose welcome as a conveyor of Western aid has declined in some developing countries.

While the bank will probably cooperate with the IMF in opening balance of payments credit facilities, it is an open secret that bank officials have become increasingly concerned at the harsh economic conditions typically attached to IMF credit in the Third World.

The Bank's proposed new loans would avoid at least some of the tough IMF conditions but the bank, as the main lender in any one country, would be better placed to monitor its aid than the fund, according to Third World economists.

# Manila meeting on Kampuchea

BY KATHRYN DAVIES IN SINGAPORE

Singapore's Prime Minister, Mr. Lee Kuan Yew, flies to Manila today for three days of talks with President Ferdinand Marcos of the Philippines at a time when there are fears that the Association of South East Asian Nations (ASEAN) may have exhausted its diplomatic efforts over Kampuchea.

Singapore spearheaded ASEAN's decisive victory at the United Nations in November, when an overwhelming majority of countries voted for its resolution on the immediate withdrawal of foreign (Vietnamese) forces from Kam-

puchea and a peaceful solution to the conflict.

The only change that has taken place over the past three months has been Kamol's insistence that the Kampuchean situation is "irreversible."

The resulting impasse, as Singapore sees it, creates two main dangers. One is that cracks will once more appear in the ASEAN facade—the organisation united behind Singapore's uncompromising stand only when neighbouring Malaysia failed to win concessions from Vietnam with a more conciliatory approach.

The second danger is that the longer Vietnamese forces re-

main entrenched in Kampuchea, the more likely it is that the international community will move towards a de facto recognition of the Heng Samrin Government in Phnom Penh.

Mr. Lee's talks with President Marcos will dwell on tactics to be adopted at the ASEAN-European Community summit in Kuala Lumpur next month, when Thailand is expected to call for another international conference on Kampuchean refugees. Air Chief Marshal Sitti Sawetwila, the recently appointed Thai Foreign Minister, said earlier this week that such a conference should seek a "durable solution."

# Muldoon overturns strike settlement

BY DAI HAYWARD IN WELLINGTON

INTERVENTION by the New Zealand Government to reduce a wage settlement agreed by unions and employers to settle a seven-week strike at one of the country's biggest pulp and paper mills operated by Forest Products at Kileith, Tokoroa, North Island, has brought angry reaction from the workers.

They immediately announced that the strike would go on and other unions are contributing massive sums to help them.

The Government reduced the settlement from 21 per cent to 18 per cent—a difference of about 20 cents an hour—and the unions have denounced the Government's interference as a threat to free bargaining.

Mr. Robert Muldoon's Government acted despite a plea from the company that it should not interfere.

Mr. Muldoon said the wage increase approved by Government was reasonable and fair.

It had reduced the agreed basic wage of NZ\$4.81 (\$2) an hour because it was negotiated under strike conditions.

The strike has cost New Zealand millions of dollars in lost exports. Unions and employers were happy with the settlement because it brought wage parity to the entire paper industry for the first time. That was seen as a requisite for industrial peace in the strike-plagued industry.

# Fourth oil refinery planned for Nigeria

BY MARK WEBSTER RECENTLY IN LAGOS

NIGERIA is planning a major expansion of its domestic oil processing industry including the construction of a fourth refinery according to the managing director of the state oil corporation.

Mr. Festus Marinho, managing director of the Nigerian National Petroleum Corporation, said in Lagos that a decision was expected on the fourth oil refinery within three months.



President Shagari: review of policy ordered

The Government of President Shehu Shagari also plans to process up to 350,000 barrels a day of Nigeria's oil for export, most of it being used in a giant downstream petrochemical complex.

The complex is one of a number of industrial projects to process Nigerian oil for export which is expected to be included in the fourth national development plan which comes into force on January 1 1981.

The details of the fourth refinery have not yet been worked out but it is likely to follow the configuration of the Warri refinery which has a capacity of 100,000 b/d and includes a cracker unit to increase the petroleum output. It would bring Nigeria's refining capacity to 360,000 b/d.

The site of the new refinery also remains to be fixed. Several

places are being considered but the most likely is Port Harcourt which is the site of Nigeria's first oil refinery.

Mr. Marinho said that Nigeria was likely to keep its production of crude at the present level of around 2.2m b/d and added that Nigeria was anxious to see stability in the world oil markets.

He said Nigeria would not be at the forefront of what he called "unreasonable price

risers." The Government wanted prices to be held for at least three months at a time which explained Nigeria's reluctance to raise prices earlier this month.

On February 4 Nigeria announced an increase of \$4 per barrel plus 21 cents "retroactive compensation" which took the price of the country's top grade low sulphur light crude to \$34.21 a barrel.

Although Mr. Marinho said he had no fear that Nigeria was pricing itself out of the market in the way it did in 1977-78, oil industry experts believe that Nigeria is preparing for a glut in world demand for its light crude by making longer term plans.

President Shehu Shagari has ordered a review of the long-term policy which Nigeria should adopt over its oil, taking account of the fact that the country's own domestic consumption is increasing by 10 to 15 per cent annually.

To boost oil exploration, Nigeria will again offer a substantial acreage for exploration later this year. Mr. Marinho said the national petroleum corporation would stick to the service contracts which it had offered last year where pros-

pecting oil companies are compensated by government only if they find oil and only then on a pre-calculated costs plus profit basis.

The oil companies looking at the 72 tracts of land offered last year did not find the terms very attractive, oil experts said, and only 11 of the 72 tracts were taken. Mr. Marinho said the terms of some of the contracts would be revised before they were offered again.

On negotiations between the Nigerian Government and British Petroleum over compensation for the oil company's interests which were nationalised last year, Mr. Marinho said that it was up to BP to move.

He said a decree had been promulgated by the previous military government setting out the terms of compensation. Without a change in the law Nigeria could not shift its position.

Mr. Marinho also strongly denied Press reports that his corporation could not account for Naira 2.5bn revenue from oil sales. He said the initial report had stemmed from a misunderstanding and accused the western Press of "mischievous" reporting since then.

# Car sales down in February

By David Lascelles in New York

U.S. CAR sales continued to drop in mid-February, despite generous sales incentives schemes by the major car manufacturers.

Deliveries between February 1-26 were 217,804 units, down 9.5 per cent from the same period last year. General Motors sales were off 2.3 per cent, Ford 21 per cent, Chrysler nearly 26 per cent, and American Motors 6.4 per cent.

The only gainer was Volkswagens, whose domestically manufactured Rabbit cars, sold in Britain as the Golf, made a 20 per cent sales gain.

The drop came in spite of large rebates and other schemes offered by General Motors, Ford and Chrysler to stimulate sales, particularly of the less popular large models.

# Trudeau reacts guardedly to electoral reform idea

BY VICTOR MACKIE IN OTTAWA

MR. Pierre Trudeau, returned as Prime Minister in last week's Canadian election, has reacted guardedly to a minority party proposal to add 50 members to the country's House of Commons to be elected by proportional representation.

The proposal came from Mr. Ed Broadbent, the leader of the New Democratic party (NDP), who wants the system adopted in order to give political parties representatives in areas where they win sizeable support but fail to gain any of the present 282 seats. The idea was first put forward by a Commission appointed by the last Trudeau Government to inquire into Quebec's challenge to national unity.

If the proposal was accepted, it would give the Conservatives and the NDP a few seats in Quebec and the Liberals more seats in western Canada.

Mr. Broadbent said he had

already discussed it with Mr. Trudeau and with Mr. Joe Clark, the Conservative leader who was defeated last week. He said Mr. Trudeau was "quite sympathetic" to the idea, while Mr. Clark had rejected it. Before the election Mr. Clark had expressed "interest" but no more.

However, the Liberals said yesterday that while Mr. Trudeau has found the proposal "interesting," he had put it to one side so as not to interfere with his selection of a new Cabinet, and will examine the proposal in more detail at a later date. They said he had no intention of moving quickly on any such idea that would tamper with the present parliamentary set-up.

In last week's election the Liberals won only two seats west of Ontario, while the Conservatives elected only one member in Quebec and the NDP was failed east of Ontario.

# N. American discussion forum urged

By David Buchan in Washington

THE CREATION of a North American Council, with the U.S., Mexico and Canada jointly represented to discuss problems common to the three countries, was proposed yesterday by Governor Robert Ray of Iowa.

Governor Ray, stressing the sensitivities of both Canada and Mexico, said that setting up a council would not commit any of the countries to specific forms of co-operation and would be "one of the very few steps with any prospect for success."

He was reporting on a study done for the National Governors' Association on the creation of a North American common market. He noted that there were fears on the part of both Canada and Mexico that it would only lead to U.S. domination.

# David Buchan in Washington analyses the economic policy review

## Inflation: another crisis for Carter

INFLATION in the U.S. has reached a crisis stage—that's official. President Jimmy Carter said so this week, after the bad news that price rises had broken new and higher ground in January, going up by 13.9 per cent compared to the previous January.

Faced with a politically-charged estimate of a compound annual rate, based on the last three months, of 15.6 per cent, the President has set his economic policy chiefs to review the faltering counter-inflation programme.

Everyone is now trying to guess what changes are planned by the White House. But Mr. Paul Volcker, chairman of the Federal Reserve Board, has made it clear that no one should look for further basic changes in the central bank's monetary strategy to deal with inflation.

Fed officials do not, of course, rule out further increases in the discount rate on Fed loans to member banks above the present 13 per cent level.

Mr. Volcker told Congress that the Fed had set the right, restrictive money growth targets for 1980, and that it intended to aim better than before. His blunt message was that now it was the turn of the Government's other branches to take similar "decisive action."

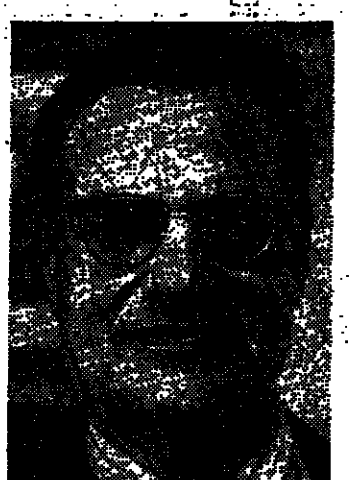
Mr. Volcker cautioned against panic because of one month's figures, in which a sharp rise was foreseen because of oil price increases from the Organisation of Petroleum Exporting Countries. The White House seems disinclined to be rushed. The word is that it may be two weeks before policy changes are announced—after a thorough analysis of yesterday's New Hampshire primary results.

But inflation worries go deep. The 1980 recession, which is supposed to dent the inflation rate, seems as far off as ever. Durable goods orders jumped by 4.3 per cent last month, and bank loans to business, which rose an astonishing 20 per cent in January, are continuing at that pace this month.

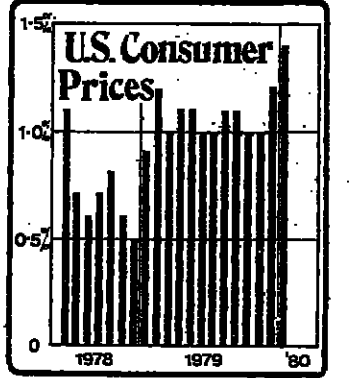
Robert second thoughts about Mr. Carter's proposed budget for the year starting on October 1, 1980, have left few impressed. Its putative \$15.5bn deficit seems vastly underestimated against the background of this year's deficit, which has now swollen to over \$40bn.

Congress promises to check public spending, but few in the climate of angst about Soviet military strength and behaviour in Afghanistan want to take an axe to defence, where Mr. Carter has loaded his main spending increases. Yet some argue that military spending is more inflationary than many other forms because it puts no goods back into the market place (consumers can't consume armaments).

The minimum that the President could do to calm the financial markets' concern about the high level of Government



Mr. Henry Reuss, chairman of the House Banking Committee—a senior voice backing the imposition of mandatory wage and price controls.



435 Congressmen and a third of the 100 Senators as well as a President. Inflation will then be a dominant issue.

One of the most discussed remedies—mandatory wage and price controls—is also the least likely to be tried, despite guarded support recently from such economists as Mr. Henry Kaufman of Salomon Brothers, Mr. Barry Bosworth of the Brookings Institution, who until last year ran President Carter's voluntary incomes policy, and from Mr. Henry Reuss, chairman of the House Banking Committee.

Senator William Proxmire, although personally cool on controls, plans to air the idea in Senate Banking Committee hearings next month.

Mr. Reuss, a Kaufman/Bosworth version of mandatory controls is that they should be only a last step after a succession of other measures. To which Mr. Volcker of the Fed would agree, adding piously that if all the other needed steps were taken — on the budget, energy and productivity — wage and price controls would not be needed.

Only Senator Edward Kennedy backs wage and price controls as an answer on their own, and the White House is not about to espouse the main policy of the President's chief Democratic rival. Opposition to mandatory controls is in any case, longstanding Administration dogma, and not only on political grounds. Mr. Charles Schultze, the Council of Economic Advisers' chairman, will give to anyone who asks an impassioned critique of the last time—1971-73—when controls were tried, and how, when President Richard Nixon took them off, inflation was six points higher than before.

Most Americans would not object to controls, the opinion polls show. But with no majority in either house of Congress (which would have to authorise them), and no lead from the White House, the idea is at present dead.

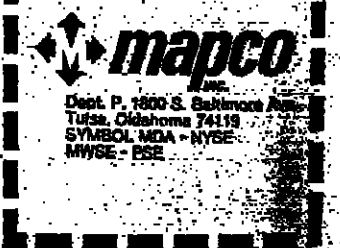
Credit controls may be another matter. Their lone proponent in the White House for many months has been Mr. Alfred Kahn, the President's anti-inflation adviser. An unanswered question is whether the recent bad inflation figures have won Mr. Kahn any important allies in the Administration.

Outside, there is little support. Congressmen might back them if they could be sure their interests would not be hit. Senator Donald Riegle gave a typical example of the issue with Mr. Volcker only to add quickly that of course the car industry, big in his home state of Michigan, should be excluded. The Fed chairman declared he was "not an enthusiast" for directly controlling credit by administrative fiat. He preferred to let the market mechanisms of interest rates and reserve availability allocate the credit. His preference is relevant, for the Fed would implement any controls Mr. Carter might

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## Soviets hit by EEC curb

BY GILES MERRITT IN BRUSSELS

THE SOVIET UNION has been singled out by the EEC Commission for the imposition of provisional anti-dumping duties on a wide range of electric motors.

Six other Comecon countries were also included in the anti-dumping investigations carried out by the Brussels Commission, but as they have chosen to give undertakings that they will voluntarily increase electric motor prices by between 30 per cent and 50 per cent, Bulgaria, Hungary, Poland, East Germany, Romania and Czechoslovakia will not be hit by the anti-dumping measures.

The duties on Soviet electric motors comes as the result of one of the most comprehensive anti-dumping investigations ever carried out by the European Commission.

In all, 60 different investigations were launched into electric motor sales by the seven Eastern European countries concerned following the Commission's decision last April to examine trade distortions on motors in the 0.75-75 kilowatt ranges.

The Commission's action followed complaints that the Comecon suppliers' volume of business had gone from 462,000 units in the whole of 1975 to 469,000 for the first half of 1979.

In addition to securing 28 per cent of the EEC market in 1978, worth about \$30m, the effect of the cheaper Comecon motors has been to erode price stability in the European industry itself.

● Soviet crude oil imported into Finland will rise in price by some \$6 to roughly \$30 a barrel retroactively to January 1, Reuter reports from Helsinki. The Finnish state-owned oil company Neste-Oy did not reveal a precise figure, but said talks in Moscow last week resulted in the new price being set at below the present OPEC average but above that for Saudi Arabian oil.

## Nivas top W. German imports

By Leslie Collett in Berlin

IN THE year and a half since it entered the West German market, the Soviet-built Niva cross-country vehicle has nudged out the competition to become the West German market leader among these four-wheel-drive cars.

Nearly half of the 10,500 cars in this category registered last year in West Germany were Nivas built in Togliatti-grad.

Toyota's Landcruiser and Leyland's Land Rover and Range Rover are estimated to have 25 per cent of four-wheel sales in West Germany with the American Motors Jeep and General Motors' Blazer picking up 20 per cent of registrations.

The basic Niva, which sells for DM 16,000 (£4,000) compared with DM 30,000 (£12,500) for the larger and more versatile Land Rover, is one of the cheapest four-wheel-drive vehicles on the German market, and now accounts for half of Soviet car sales in West Germany.

Deutsche Lada Import says its share of the West German car market rose by 3.4 per cent last year to reach 0.41 per cent of all cars sold in West Germany. This compared with 0.45 per cent for Leyland.

The Soviet-built Lada contributed 1.75 per cent to the imported cars on the West German market in a year in which most European car makers lost ground in Germany while the Japanese gained. Satra Corporation of New York, the exclusive agent for Avtoexport of Moscow for Lada sales in West Germany, the UK and the U.S., fully owns Deutsche Lada which had sales last year of DM 93m, an 11.6 per cent gain over 1978.

The parent company had a turnover of \$250m last year, half of which came from car sales and the rest from diverse activities such as metal trading, processing of ferro-silicon, ferro chromium and ferro manganese and trade in chemicals and pharmaceuticals.

## Washington to seek fibres compensation

BRUSSELS — Mr. Thomas Enders, the U.S. Ambassador to the European Community, yesterday said the Carter Administration will definitely seek compensation for British curbs on imported synthetic fibres.

Mr. Enders also warned that a proposed EEC tax on vegetable oils could provoke "a fundamental quarrel" with Washington. He also spoke of the gravity of the steel slump in both the U.S. and Western Europe and said both sides must show restraint in resolving their trade disputes.

Speaking to the American Club of Brussels, he said EEC-U.S. trade disputes that he suggested would have to be settled amicably if the West is to take a forceable stand against Russian aggression in Afghanistan. He insisted the two partners could avert a trade war by recourse to what he called due process, by resisting the urge to retaliate and by keeping the channels of communication open.

Britain's decision to impose quotas on cheap U.S. synthetic fibres was understandable, he said.

"This, rather than being the first cannon in a trade war was an example of a system in proper operation," Mr. Enders said.

"The U.S., in turn, has the right to ask compensation. We will ask for compensation, because we have to show our industry that protectionism is not a free ride."

He emphasised his Government would seek redress under the rules of the General Agreement on Tariffs and Trade and in close consultation with the EEC. Moreover, he said, measures would be carefully limited.

## U.S. lifts restrictions on aircraft buyers

WASHINGTON — Mr. Robert Hormants, deputy U.S. international trade negotiator, has signed an order waiving the U.S. "buy American" requirements covering the purchase of aircraft, engines and parts by non-military government agencies.

The waiver would allow Federal Government purchases of civil aircraft from manufacturers in Canada, the EEC, Sweden or Norway, all signatories of an international civil aircraft trade agreement negotiated in Geneva last year.

Japan is expected to be eligible for the same treatment after that country ratifies the civil aircraft trade accord.

U.S. officials said that the waiver would not apply to the Defence Department's purchases of civil-type aircraft, such as the executive jets used for transporting high-level Pentagon officials.

In the past, under the "buy American" requirements, U.S. suppliers of aircraft, engines and parts to the Federal Government had been given a 6-12 per cent bidding price advantage over foreign companies. But in some instances—even with "buy American" preferences for U.S. companies — U.S. agencies had

picked foreign suppliers over U.S. companies because of the considerably lower prices quoted.

The international trade agreement covering civil aircraft, engines and parts that took effect on January 1, eliminated U.S. import duties of 5 per cent for aircraft and up to 8 or 10 per cent for parts, providing other signatory countries accepted similar duty-free treatment for such imports from the U.S.

AP-DJ

## ECGD covers Uganda loan

THE Export Credits Guarantee Department has guaranteed the repayment and funding of a \$19m (£3.3m) loan which Standard Chartered Merchant Bank, acting on behalf of Standard Chartered Bank, has made available to the Government of Uganda. The loan will help finance a contract awarded to BL International by the Government of Uganda for the supply of trucks, buses, Land Rovers and spare parts.

## Reynolds to make cigarettes in China

By Stewart Fleming in New York

R. J. REYNOLDS, a leading U.S. tobacco company, has signed what it describes as a major joint venture agreement with the People's Republic of China aimed at the manufacture and sale of its "Camel" brand filter cigarettes in China and the development of a new jointly-owned brand partly for export from China.

Under the contract manufacturing arrangements with the People's Republic, Camel filter will be produced in China with equipment supplied by Reynolds' Tobacco International, initially with tobacco supplied from the U.S.

Reynolds will receive a licence fee for the use of the Camel name.

Under a separate agreement China and Reynolds have agreed to develop and market a new jointly-owned cigarette brand which will be produced in China using both Chinese and American tobacco.

Reynolds claims that the agreement is the first between an international tobacco company and China.

Talks between Reynolds and China began in April, 1979, and are continuing in both China and the U.S. concerning co-operation in the development, production and sale of cigarettes, the company said.

The production of Camels in China is scheduled to begin in the fourth quarter of this year or early in 1981.

Richard C. Hanson examines Taipei's healthy export performance

## The secrets of Taiwan's success

TAIWAN LACKS formal diplomatic ties with nearly all its trading partners, a fact which, one might assume, could cramp the style of the shrewdest of merchants. In spite of this its exports are bigger than those of its immense mainland rival, China, and are growing faster in percentage terms.

Taiwan is counting on a solid 21 per cent increase in exports this year, bringing the total to more than \$19bn (£9bn) (compared with Peking's estimated 1979 export earnings of \$13.7bn). Even that comparatively fast pace represents a considerable slowdown from that in the past two years.

TAIWAN  
1979 Exports \$19bn  
1978 Population 17m

In 1978, exports had jumped 35 per cent, making Taiwan the 16th largest exporter in the non-Communist world, and last year they gained 27 per cent, to \$16.7bn, though inflation is cutting into the real increase. Taiwan ended last year with a trade surplus of \$1.3bn, down from the previous year but in sharp contrast with the trade gap run by South Korea, its closest trade rival.

The difference in circumstances between Taiwan and South Korea comes into sharper focus considering that the Koreans were compelled to devalue their currency last month by 16.55 per cent to help regain competitiveness for their exports.

This move set the stage for South Korea's decision this week to float the won in line with the International Monetary Fund's special drawing right. While that move is effective today, it is understood the won, at least initially, will not be allowed to drop below the exchange rate established at last month's devaluation.

South Korea's inflation rate is running at about twice that in Taiwan. Even with the devaluation, Korea exports its exports this year will be about \$2bn

behind those of Taiwan, whose 17.4m population is only half South Korea's.

The Taiwanese, with a history of better controls on inflation, have so far declined to follow suit in devaluing the New Taiwan dollar. They worry that a devaluation would increase the cost of imports, and appear confident that the quality of their export products has already given them the edge over the Koreans.

The structure of the Taiwanese economy has shifted over the past 30 years from almost total dependence on agricultural products for exports and now about 90 per cent of exports are manufactured. The goods, however, still are mainly light industrial products with heavy emphasis on textiles.

This can be seen as a weakness, given the growing cost of imported raw materials and the amount of competition Taiwan now faces from other low-wage countries.

CHINA  
1979 Exports \$13.7bn  
1978 Population 933m

Exports of textile products rose in value by 22 per cent last year and accounted for a quarter of all exports. Yet there is a discrepancy between value and volume, and this is perhaps best illustrated by Taiwan's exports to the U.S. These showed a 12.7 per cent increase in value but actual volume was probably flat. Textile exports to the U.S. are believed to have actually declined in volume terms by a substantial amount.

The export sector which is of most importance for growth now is electronics, where most of the new investment from overseas also happens to be concentrated.

Last year electronics scored a 30.9 per cent gain in value and accounted for 16.4 per cent of all exports. Within the next three or four years, electronics are likely to surpass textiles as the number one export. So far, electronics exports have been

dominated by foreign companies with manufacturing plants or joint ventures.

Only one of the top five electronics exporters, Taitung, which has a colour TV and electric fan plant in the U.S. and is looking into expansion in Europe, is actually Taiwanese. RCA, of the U.S. and the Dutch company, Philips, are the biggest foreigners.

Taiwan's dependence on a relatively small number of major export items is matched by an equally heavy reliance on a small number of markets, with the U.S., Japan and Hong Kong outstripping all others. The U.S. and Japan alone took about 58 per cent of Taiwan's exports last year and, in turn, Taiwan bought 66 per cent of its imports from the two, mainly Japan.

Recently trade among the new industrial nations of Asia has been expanding more rapidly than elsewhere. Traders also point to what appears to be a rapid rise in demand for Taiwanese goods in China, particularly since the U.S. normalised relations with the Government in Peking. The significance of the "underground" Chinese trade to the Taiwanese economy may also be growing.

SOUTH KOREA  
1979 Exports \$17bn  
1978 Population 37m

For Peking, encouraging an opening to Taiwan is a handy propaganda device to attract native Taiwanese businessmen who are much less shy about the mainland than expatriate mainlanders who set up and still run the Government in Taipei.

Japanese traders report that the Peking Government offers such incentives as duty-free treatment for goods made in Taiwan, considered just another province in Peking's eyes. The Chinese, consistent if nothing else, would require, however, that payment for the goods be

in Chinese Yuan—again because the trade is internal—which is fairly easy to convert in Hong Kong. Peking officials have been known to ask specifically for Taiwanese products because they are cheaper than goods from Japan.

The Nationalist Government in Taipei, meanwhile, remains firm in its ban of official trade with China, emphasising the point with a number of recent crackdowns on smuggling to the mainland.

But officials have indirectly acknowledged exports to China by claiming they simply have no control over what happens to Taiwanese goods after they leave Taiwan.

The major route for trade is probably via Chinese merchants in Hong Kong, but with the help of the big Japanese trading companies, which control about 60 per cent of Taiwan's trade, a share is now moving through Japan and Singapore.

One trading company branch manager in Taipei estimates that the value of the trade with China has already moved into the hundreds of millions of dollars range. The growth in Taiwan's exports to Hong Kong could be one indicator of trade with the mainland. Last year Taiwan's exports to Hong Kong rose to \$1.6bn from \$862m, with large increases in previously minor products such as electric appliances.

HONG KONG  
1979 Exports \$11.2bn  
Re-exports \$ 3.9bn  
1978 Population 4.61m

Taiwanese worry that business could become too dependent on the emerging Chinese market place. The idea of investing in Taiwan for use as an export base to China is tossed about quite seriously among Japanese businessmen, but one fear is that China trade could turn out to be the bait which, ultimately, brings Taiwan closer to the mainland.

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## UK NEWS

# Landing fees at airports to rise 35%

BY LYNTON McLAIN

THE BRITISH Airports Authority is to raise its landing fees by 35 per cent from April 1. The move is expected to cost airlines more than £100m in the first year and to add £1.20 to the price of each ticket from April 1 when passed on to passengers.

The increases were announced yesterday at the same time as Mr. John Nott, the Trade Secretary, told MPs in the House of Commons that he had set the BAA its first financial target.

He said the authority would have to achieve an average rate of return on net assets, revalued at current cost of 8 per cent a year over the next three years.

Mr. John Mulken, the British Airports Authority managing director, said yesterday that the higher landing fees were necessary to cover an expected 18 per cent rate of inflation and to help the authority to meet the Government's 6 per cent rate of return target.

The authority last year achieved a rate of return of only 2.8 per cent in current cost accounting terms.

Mr. Nott told MPs that the 6 per cent target "implies increases in productivity of capital and employees". He said the financial target would accompany other "performance aims". These had been agreed with the BAA.

The number of passengers handled per employee has to grow at an average rate of 3 per cent a year over the next three years.

Mr. Nott said the Government expected the BAA to move towards break-even in real terms at its Scottish airports by the end of the three years. These airports lost £2.8m in the last financial year.

Airlines will pass the increases on to passengers. British domestic airlines have already applied to the Civil Aviation Authority for fare rises of between 12 and 30 per cent from April 1.

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# Thai TV imports cause concern

BY GUY DE JONQUIERES

BRITISH television manufacturers are seeking Government help to prevent a major increase in imports of black and white portable sets from Thailand this year.

Thailand entered the television business only recently, and exported about 11,000 sets to Britain last year. But according to the manufacturers, imports are set to rise to 100,000-200,000 this year and could seriously damage domestic manufacturing operations in the UK.

Thorn Electrical, the biggest UK manufacturer, said yesterday that if so many imports were allowed to enter the country, the company might be forced to review its operations in the sector.

A group of trades union officials and several MPs joined representatives of Thorn, Philips, Pye and Rank last week in talks with officials at the Department of Trade, at which they expressed concern at the expected rise in Thai imports.

The Government can do little officially to restrain the level of imports, since it would need EEC approval for any formal trade restrictions.

But the manufacturers hope it will pave the way for industry-to-industry talks on voluntary restraint arrangements by making clear to Thai authorities the alarm with which the planned increase in imports is being viewed.

The next round of talks between British manufacturers and Far East exporters is not due until the autumn. It is hoped that Thai television manufacturers, who have not been included in these sessions in the past, will agree to open discussions before then.

According to the British Radio Equipment Manufacturers Association, almost 1.4m black and white televisions were sold in the UK last year, of which 630,000 were manufactured domestically. Thorn accounted for half of UK production.

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# Public bodies urged to buy British office equipment

BY ELAINE WILLIAMS

PUBLIC SECTOR organisations should make more efforts to buy British, says the office machinery sector working party in its report to the National Economic Development Council.

In assessing their own long-term requirements, local authorities, government departments and nationalised industries are urged to take more account of the need to develop office equipment in Britain.

Manufacturers should speed up the transition from mechanical and electromechanical to electronic designs, or the industry will not be able to respond quickly enough to growing competition, especially from Japan and the US.

In this context, public bodies could also be used as "extended market research pads" for certain products, the report says.

The Government should look at other countries' support schemes for the industry "so as to understand any disadvantages imposed on British manufacturers by the absence of equivalent support."

Strongest competition comes from countries where governments have a history of long-term procurement policies tailored to the development of their local manufacturing bases, the report says.

Britain imports most of its needs in the more sophisticated electronic office products like word processing, while its exports are largely of electro-mechanical and less sophisticated equipment where market growth is more limited.

The reprographics and copying market, a traditional stronghold, have come under increasing attack from Japanese imports, particularly of cheap plain paper copiers.

Since this sector accounts for 60 per cent of the industry's workforce, the working party is worried by the growing threat to employment, especially as the Japanese are showing signs of extending their range to the more expensive copiers—a sector where the UK is strong.

The report says the reprographic equipment manufacturers should draw up plans, in partnership with the Government, to increase their ability to make cheap copiers.

Alternatively the Government should take the initiative and explore the possibility of foreign-owned multinationals expanding in the UK to cover the low end of the range.

To speed up the change to electronics by traditional office equipment manufacturers, the working party, with the electronic component makers—through the Electronic Components Industry Federation—has looked at ways of improving the relationship between the two industries.

Office equipment has been a small customer for the components industry, but new products will contain a large number of microelectronics components and the working party says that large capital investment will be needed to support both the development and manufacture of new products.

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## WHY INSTITUTE GRANT WAS CUT

# Insight no longer unique

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

PUBLICATION of the February quarterly review from the National Institute of Economic and Social Research used to be an important date in the pre-Budget calendar.

The review was frequently the front page lead in this and other newspapers and was regarded as a rare opportunity to cross-check the forecasts and policy analysis of the Treasury.

The Institute had similar forecasting methods and policy approach and was frequently dubbed the Treasury in Exile in Dean Trench Street.

Now, however, the review is treated as one of a series of economic forecasts and analyses published before the Budget and regularly during the rest of the year.

The Institute also no longer provides a unique insight into Treasury thinking as the two organisations have grown rather apart.

The change in status has been highlighted by the Treasury's decision to have its grant in real terms to the Institute over the next three years, creating a big financial shortfall.

The erosion of the institute's special position as a commentator has been associated with the disappearance of the previous common ground over economic policy.

The post-war orthodoxy, usually described as neo-Keynesian, whereby Governments tried to influence the level of demand and unemployment and to curb inflation through incomes policy was severely tested during the 1970s.

Institute has been blamed for having recommended the expansionist policies that led to the economic traumas of the early-to-mid 1970s.

Since then, the institute has remained an unrepentant advocate of deflation, demand management and incomes policy, and has been the main citadel of the neo-Keynesian faith.

Yet that view has increasingly been challenged by alternative theories, notably the renewed stress on the importance of controlling the growth of the money supply.

The changes in policy emphasis has been linked with a rise to prominence of other commentators. In particular, the monetarist viewpoint has been analysed and advocated by the London Business School.

whose advance was symbolised by the appointment of Professor Terry Burns as the Treasury's chief economic adviser.

At the other end of the spectrum, protectionism has been urged by Mr. Wynne Godley and his colleagues at the Cambridge Department of Applied Economics.

The institute's near monopoly of forecasting has been undermined by those bodies, by the Confederation of British Industry, by several reputable specialist business economists and by the myriad of City banking and stockbroking economists.

The institute's forecasting record has not been bad—or anyway, not much worse or better than other leading groups in the past few years.

Friends of the institute would say its critics tend to ignore the wide range of highly respected research work it sponsors under its director, Mr. David Worswick.

Its annual report this week identifies work on, for example, energy prices, the size of businesses, the structure of industry and international comparison of productivity.

In addition, the institute has published reference works such as the history of economic policy from 1900 to 1974 and has organised conferences on important policy issues such as demand management and deindustrialisation.

The institute's reputation has, however, been affected rather more by its controversial policy recommendations. Indeed, before the election, senior Conservatives questioned why the institute alone should receive a large grant from the Treasury.

This money is unique in that it finances a continuing research programme and is not tied to specific projects, as with other official finance to economic research bodies.

This is not the first time the institute has faced financial pressure. In 1978 the Government-backed Social Science Research Council reduced its grant after some complicated wrangling between the Council and the Treasury.

The Treasury grant has been running at £200,000 out of the institute's annual income of £800,000, and the cut, covering the grant for the next three years, will be equivalent to about a sixth of present income.

To lessen its dependence upon government—at one stage for up to four-fifths of total income—the institute has boosted income from business subscriptions from 8 to 14 per cent of its income. A further drive will be made to raise money from business and from charitable foundations.

That will not be easy and a gap will remain. However, the institute has for some time been cautious about replacing staff so there should be no sudden redundancies among the present total of nearly 50.

No attempt is made to disguise the disappointment in the institute. Its future work is being reviewed. Yet to many friends and critics more fundamental questions are raised about its role and about whether it should, like the London Business School, develop closer links with industry and commerce.

Yet if the institute did not exist it would probably be necessary to invent it, even if in possibly a different form from the present.

# Loft insulation grants not taken up

BY ANDREW TAYLOR

LESS THAN HALF the £25m allocated by the Government for loft insulation grants for private homes is expected to be taken up in the current financial year.

Last week Mr. Michael Heseltine, the Environment Secretary, announced that the grant allocation for 1980-81 would be cut to £12.5m.

This is understood to be in line with a Department of Environment estimate of demand in 1979-80 after allowing for the effects of inflation.

Local authorities are also likely to have less cash to spend on loft insulation. This follows Mr. Heseltine's decision to cut housing allocations to local

authorities by almost a quarter in 1980/81.

The loft insulation schemes were introduced in 1978 as part of an energy conservation programme. In the first year of operation, grants to provide loft insulation for 880,000 private homes were made. Loft insulation was provided in the same period.

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# Volkswagen will launch new car next month

BY JOHN GRIFFITHS

THE JETTA, Volkswagen's challenger in the biggest sector of the UK car market, that for "traditional" saloons with a separate boot will go on sale in Britain on March 10.

It will be offered as a rival to the current market leader in the sector, the Ford Cortina, and to other models such as Vauxhall's Cavalier, BL's Marina, the Fiat Mirafiori and the Renault 18. The Jetta will arrive a few months before BL's new launch, a revised version of the Marina, which has

slipped to 8th place in the UK sales league table.

Like the VW Golf, with which it shares many parts, the Jetta will be offered in a variety of models, covering three engine sizes and two levels of equipment.

Prices will range from £4,080, including tax, for the basic 1.3 litre model, to £5,998 for a 1.6 litre fuel-injected version.

Volkswagen said it expects to sell about 10,000 of the cars in the remainder of this year.

# Bronze statuette cast fetches £30,000

A UNIQUE proof cast of a 19th-century bronze statuette of a Roman trumpeter sold for £30,000, more than double the estimate, at Christie's yesterday. It was produced in 1889 by Jean-Léon Gérôme. The price, plus the 11.5 per cent buyer's premium and VAT, was paid by Uffices, the London dealer.

In the sale of sculpture and works of art, another high price was the £4,500 from Simons, the London dealer, for a 19th-century French or German silver charger with ivory plaques. A third London dealer, Barham, paid the same sum for a late 19th-century French bronze of a nymph, signed Mathurin Moreau.

Many museums were buying in a Christie's South Kensington sale of a collection of lace and linen assembled in the past century. The top price was £3,400 from the Poldi Pezzoli museum of Milan for a long flounce of point-de-neige needle lace produced in Italy in the late 17th century. A panel of needle lace of around 1710 sold for £2,000. All prices were way above estimates, which had not ventured above £300, and suggested extraordinary conservatism, given the strength of

demand in recent months. Christie's also had its best coin and medal sale, yesterday's total of £374,353 almost doubling the previous record. Gold was in heavy demand, particularly George V sovereigns, which had been stored away when minted and not touched since. A mixed lot of 141 Edward VII and George V sovereigns sold for £9,900 to Brod. Five lots of 100

# SALE ROOM

BY ANTHONY THORNCROFT

gold sovereigns minted in Perth or South Africa each sold for £7,550. A rare William III portrait medal in gold realised £4,600.

A Saxon wheellock sporting rifle of around 1593 sold for £8,200 at a Sotheby's arms and armour sale and, at the other extreme, a pair of Boss & Co 12-bore sporting guns of 1977 made in same sum. A good price (double the forecast) in the English pottery and porcelain sale was £6,200 for a figure of a Leeds pearware stallion of about 1780.

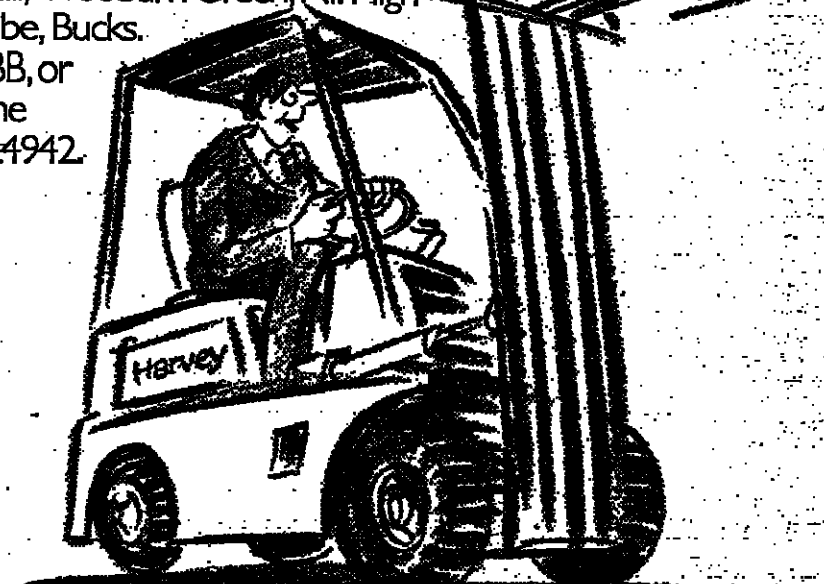
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## Small business plea for new loan scheme

BY JAMES McDONALD

THE ASSOCIATION of Independent Business has asked the Government, the clearing banks, pension funds, building societies and the assurance societies to support a small enterprise loans scheme.

Loans, backed by a Government guarantee, would be designed to support small enterprises with viable proposals, but without the assets to meet the banks' conventional requirements for security. Mr. Philip Bayliss, a member of the executive committee of the association, said in London last night. Building societies are being asked to depart from their traditional mode of lending to promote advances to small businesses on the basis of the capital a borrower has in his house.

At present, the building societies often enable individuals to benefit from the growing value of their houses but only for two specific purposes: to finance the purchase of a more expensive house, or to finance an extension or other improvement to an existing house.

The building society, the association agrees, would need to be completely satisfied that the present value of the dwelling "adequately secured their total mortgage and that repayments remained within the capacity of the borrower."

### Assurances

"We would expect borrowers to produce proof, acceptable to the building societies, that the money was actually being

invested in a small business, suitably defined, on a long-term basis," said Mr. Bayliss.

The societies would want assurances from the Government and the Bank of England that a move of this kind would not bring the societies within the scope of the credit controls imposed on the banking system.

The association is also asking life assurance societies to re-appraise their approach to lending on the security of existing policies.

"Surrender values are fixed by formulae which include, quite properly, a measure of penalty for breaking the policy contract. What we suggest is that the maximum loan values should be related much more closely to estimated maturity values, discounted by reference to the total premiums as yet unpaid."

That association points out that loans on the security of policies do not at present form a large part of the societies' funds so that a significant increase "is unlikely to upset the spread of investments."

The capital involved "frequently already represents a vital part of the 'seed' capital which enables a business to commence."

HONEY-COLOURED buildings of mock York stone are starting to dot the flat countryside around Selby, in North Yorkshire, as construction work nears a peak in the development of one of the world's most advanced coal-mining complexes.

With less than three years to the scheduled start of production from the National Coal Board's £600m Selby coalfield, expenditure is now running at more than £1m a week. During the past few months the NCB has awarded half-a-dozen major contracts, together worth more than £50m.

With the immediate future of the South Wales coal industry looking far from rosy, the developments at Selby and elsewhere in North Yorkshire, point to the positive side of the British coal industry.

Selby is probably Western Europe's largest unexploited coalfield and covers 110 square miles—almost the size of the Isle of Wight—between Selby and York.

Five vertical shaft mines are being sunk to give access to the coal and to provide ventilation. But none of the 10m tonnes a year produced by the field will surface at these pits.

Instead, the coal will travel along a series of underground conveyors to a sixth mine, Gascoigne Wood, where it will emerge at the surface through two drifts, or sloping tunnels. A drift allows a much faster flow of coal than a traditional

shaft mine. Eventually, Gascoigne Wood is expected to handle nearly 50,000 tonnes a day with a loaded train carrying 1,000 tonnes of coal, primarily for local power stations, leaving every half-hour.

Production should start in late 1982 when coal will start flowing to Gascoigne Wood from the nearest mine, Wistow.

By 1988, coal should be coming from the other four mines—Stillingfleet, Riccall, North Selby and Whitmoor.

The sinking of the shafts and drifts has been complicated by a layer of "wet" basal sands which lies between the surface and the coal seams. This moisture retentive rock can create flooding problems.

To overcome this, engineers have been freezing the basal sands as the shafts reach them. Brine at sub-zero temperatures is pumped into the ground and the shaft is then driven through the frozen strata. It is plugged to prevent flooding before the ground is allowed to thaw.

However, this process has not been trouble-free. During the thawing process at Wistow mine, water began flooding one of the shafts.

The problem was eventually solved by pumping 4,000 tonnes of liquid cement into the basal sands but work at Wistow was put back seven months.

Planning complications have also delayed by as much as a year, the sinking of the final shaft at Whitmoor mine, but it is expected that increased out-

put from Wistow can make up any production losses there.

Despite these difficulties, the project remains on schedule. At Gascoigne Wood, for example, the two drifts already stretch some 2,400 feet underground.

From a financial viewpoint, the NCB is also pleased with progress so far. Selby is expected to cost £600m at current prices and £700m after inflation. So far £254m has been committed.

According to Mr. Mike Eaton, the board's area director in North Yorkshire, the project is to date just 0.39 per cent of its estimated cost.

Selby, which will employ 4,000 men, is the centrepiece of the board's plans to increase production in North Yorkshire from the present 8.5m tonnes to 17m tonnes by 1990.

However, the Board is also spending nearly £100m to improve production in North Yorkshire's existing mines. Some £50m is being spent on the modernisation of the Kellingley, Allerton Bywater, and Ackton Hall pits.

Another £45m is being spent on developing what is virtually a new drift mine alongside the existing Prince of Wales pit, near Pontefract.

The old Prince of Wales mine, now nearing exhaustion, produces 500,000 tonnes a year with 1,400 workers. The new drift mine will produce 1.5m tonnes with 900 men.

Amid this expansion, several of the older mines in North Yorkshire are nearing exhaus-

tion. Four or five are likely to face closure in the next four years.

Even though the Board is now in the position of being able to offer "new pits for old," negotiations with the mining unions on the closure of pits remain extremely delicate.

The unions are committed to keeping open pits with workable coal, but the definition of workable invites different interpretations.

The investment now being undertaken in North Yorkshire will take time to produce results, but the board is sure that it will put the area on a sound financial footing, provided, as one official puts it, "You're not simply taking pound notes from profitable pits and pouring them down old, uneconomic ones."

The board points to Kellingley colliery, established in 1958, as an example of the potential

profitability of new mines. It made profits last year of some £15m, while the North Yorkshire area as a whole had an operating loss of £14.3m.

Furthermore, officials estimate that new mines like Selby will be able to produce coal at £14 a tonne at current prices (including capital charges) as against an average of £24 a tonne for the industry as a whole.

It is against this background, together with a gradual improvement in productivity and a fall in absenteeism, that officials are confident the mid 1980s will see a major improvement in North Yorkshire's financial performance.

"The next five to seven years," says Mr. Eaton, "should be the beginning of a very dramatic change in the economics of this coalfield."

### Brickmaker offers to move 'dirt'

A BRICKMAKER has offered to solve a multi-million tonne dirt problem for Leicestershire and Bedfordshire—but insisted that the NCB foots the bill.

The dirt—204m tonnes of colliery spoil—will be generated in Leicestershire if the Vale of Belvoir mine project is approved.

London Brick Landfill, a subsidiary of London Brick, proposes to transport the spoil by train to fill in the Bedfordshire clay pits—an eight-mile stretch of derelict land south west of Bedford created by brickmaking excavations.

But the NCB strongly opposed the proposal, claiming it will add £13m per year to the cost of producing Belvoir Support came yesterday from Mr. Anthony Griffin, a Bedfordshire planning officer who told the Belvoir public inquiry at Stoke Rochford, Lincolnshire: "This is a unique opportunity. If the opportunity is not seized, it may never recur."

## Management institute seeks tax incentives

BY DAVID MARSH

The British Institute of Management has asked for tax changes to improve incentives for middle-income tax payers.

In a letter to Sir Geoffrey Howe, the Chancellor, the institute calls for action in next month's Budget to restore after-tax pay differentials for skilled workers, technicians, professional people and middle managers.

It urges the Government to ensure that present income tax thresholds are not eroded by inflation. Also, if possible, it would like the basic tax rate reduced from the present level of 30 per cent.

Mr. Leslie Tolley, the institute chairman, says "it is essential to prevent personal taxation rising steeply as a result of inflation." He suggests that tax allowances and the higher rate thresholds and bands be increased by an amount sufficient to prevent direct taxation rising

for all levels of wage earners. This, he adds, would probably cost between £1.5bn and £2bn.

The question of whether to raise personal tax allowances in line with inflation is one of the key issues being debated by Treasury officials during the run-up to the Budget. Under the 1977 Finance Act, the Government is committed to inflation-indexation of allowances unless Parliament decides otherwise.

Mr. Tolley, who represents 85,000 managers in the BIM and the affiliated Institution of Industrial Managers, says a cut in the basic income tax rate would be preferable to a rise in the real value of allowances.

He says most of the institute's proposals would have to be financed by reductions in public spending. But he admits that managers are "greatly concerned" at how such cuts would have to be achieved.

## Ladbroke licence bid back in court

BY ANDREW FISHER

LADBROKE GROUP'S bid to win back licences for three of its lucrative London casinos enters a crucial stage today as the company goes to the courts again to have last year's closure ruling reversed.

Hanging on the result of the initial two-day hearing in the High Court is the fate of Ladbroke's fourth London casino, the Park Tower, and conceivably of its 11 provincial premises.

Ladbroke was forced to close its three Mayfair casinos—the Hertford Club, the Hyde Park Casino and the Ladbroke Club—after Knightsbridge Crown Court refused to reverse an earlier court decision to withdraw the licences.

After the long Knightsbridge hearing, Mr. Justice Friend tersely summed up the court's view of Ladbroke's London casino activities: "There can only be one word for their conduct. It was disgraceful."

The loss of the three licences followed publicity about secret activities to tempt high-spending gamblers away from rival casinos.

South Westminster magistrates accordingly decided last summer that two Ladbroke sub-

sidaries, Ladup and Hyde Park Casinos, were not "fit and proper persons to be holders of gaming licences."

Since then operational control of the casinos has been transferred to a new Ladbroke subsidiary, City and Provincial Gaming Holdings. It was on the basis of this restructuring that the group tried, and failed, to have the licence ruling overturned.

Ladbroke says Knightsbridge Crown Court paid insufficient regard to the new structure in making its decision. "If that were a matter to affect us, it would simply mean that every limited liability company could breach the law," said Mr. Justice Friend in court.

If the Queen's Bench Divisional Court, part of the High Court, agrees this week that Ladbroke's grounds are valid, having granted leave to appeal last December, the case will return to the Crown Court. Ladbroke hopes for a decision on Thursday.

The Gaming Board's attempt to have the licence of the Park Tower casino in Knightsbridge cancelled has been postponed until after the appeal. Cancellation here could also affect the future of the provincial operation.

## Braniff drops S. America plans for Concorde

BY LYNTON McLAINE

BRANIFF International, the U.S. airline which operates Concorde between Dallas and Washington on lease from British Airways, has shelved plans to use the aircraft on new routes to South America.

Mr. Russell Thayer, president of Braniff International, said in London yesterday that high fuel costs had forced the airline to drop the idea for the time being.

Concorde flies below the speed of sound from Dallas to Washington and has attracted high load factors, particularly in the off-peak season. Mr. Thayer said the operations broke even, since Braniff paid only for the actual mileage flown by the aircraft.

Rising fuel costs were the main cause of the airline's

\$44m (£19.3m) loss last year. Fuel cost \$193m (£86.6m) more than in 1978, when Braniff reported a \$45m profit. It now represented a third of the airline's operating costs, compared with 10 per cent in the early 1970s.

● Braniff International is one of the airlines which has applied to operate the Boston-to-London service, as part of a revised air service agreement between Britain and the U.S. which may be concluded this week.

Talks were held in London this month and are to be resumed in Washington today. They are expected to deal with a possible doubling in the number of U.S. "gateway" cities with direct air services to London.

## Big PO order for Dodge vans

DODGE, the trucks subsidiary of the PSA Peugeot-Citroën group, has won its biggest order from the Post Office—for 4,026 vans worth £14.5m.

Dodge has now won Post Office orders for 6,728 vehicles, worth £24.5m, in 1980. They will be produced at Dodge's plant in Dunstable, Beds.

The latest order is for 4,026 Spacevan 2500 models for Post

Office Telecommunications. This division has also ordered 81 Dodge 100 series Commando £10 models worth £650,000, and the postal business has ordered 139 Dodge 12-seater PSV post buses based on the Spacevan and worth £750,000.

Dodge commented: "We have won major contracts from the Post Office for the past nine years, but this year's is the biggest."

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## UK NEWS—LABOUR

# Teachers to claim 20% on top of Clegg rises

BY NICK GARNETT, LABOUR STAFF

UNIONS representing primary and secondary school teachers yesterday agreed a joint pay claim which will involve rises of more than 20 per cent on top of the Clegg comparability commission awards to be announced next month.

The claim, due for settlement in April, calls for salary levels—after the Clegg awards have been added—to be then increased by the rise in the index of average earnings over the 12 months prior to the start of this year's pay negotiations.

The most recent average earnings figures, for December, showed a rise of 19.6 per cent but are expected to be higher in the next set.

The five unions, representing 480,000 teachers, have pitched the claim on the basis that the Clegg awards will restore the value of the Houghton salary scales of 1974.

The unions said they wanted

a settlement involving an across the board percentage rise, to be concluded speedily. The employers' reply to the claim is expected at the end of next month when the full Burnham committee meets.

Last year's settlement involved a 9.3 per cent increase in April together with a reference to the Clegg commission on the rest of the 38.7 per cent claim. There was also a 50 pence payment on account from the future award of the commission.

The settlement followed industrial action in spite of disagreements between the two principal teachers' unions on the tactics.

Following delays in producing the Clegg findings, the unions agreed an 8.2 per cent interim deal from last month but are paying back last year's 50 pence payment over the first four months of this year. Half of the Clegg award will be paid from this January with

the remainder taking effect in September.

The unions have been generally optimistic about the awards the Clegg commission will present and have been assured that the Government will honour them.

● The National Union of Teachers is calling members in 120 Leicestershire schools out on a one-day strike tomorrow in protest against a 58m cut from the county's education budget. There are no plans to escalate the action nationally.

The union also threatened an indefinite strike by 98 members in five schools in Trafford, Greater Manchester.

Talks aimed at restoring 90 teaching jobs broke down over the holidays, the NUT alleged. It also said 300 members would strike in 40 Avon schools until Thursday in protest at cuts affecting 300 teaching jobs.

## Pay lag interest claimed

By Our Labour Staff

THE Association of Scientific, Technical and Managerial Staffs, which has a negotiating agreement for its members in the Midland Bank, has told management that it wants interest paid on backdated money delayed in the settlement of this year's wage negotiations.

The principal clearing banks are due to settle with clerical and computer staff in April.

The association says that its claim for interest, to be applied at the base rate, derives partly from its belief that the settlement might be delayed as a result of the agreement from the banks, Staffs, Insurance and Finance Union (BIFU) to deal nationally with this year's negotiations.

The association's overall claim is worth 25 per cent.

## Civil Service unions in test case

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE unions will meet Whitehall officials in two weeks over what the unions consider a test case on the legal relationship between civil servants and the Government, as their employer.

The meeting, under the auspices of the Advisory, Conciliation and Arbitration Service, has been arranged between the unions and the Civil Service Department for March 11.

The unions decided last year to lodge a complaint against the Government under the Employment Protection Act, to force the disclosure of information about plans to reduce manpower costs.

announced proposals in December to cut a further 40,000 staff posts. The unions are still unhappy about the level of central information provided on the cuts, but they recognise the attempt to force disclosure is now academic.

However, the staff side of the Civil Service National Whitley Council has decided to press ahead with its references under the 1975 Act, to try to clarify what it sees as the grey area of Crown immunity from employment protection legislation.

The Central Arbitration Committee, to which the original complaint was referred, passed the case to ACAS, as expected. The provisions of the 1975 Act require employers to disclose information needed for collective bargaining purposes to employees.

The unions see the case as important for two reasons. First, it is the first time ACAS has been involved in a national dispute in the Civil Service.

although the Institution of Professional Civil Servants tried last year to take its technology dispute to ACAS, rather than the Civil Service Arbitration Tribunal to which it was eventually referred.

There is considerable dissatisfaction with the tribunal in some unions, particularly in the IPCS. The tribunal's decision on technologists' pay which went heavily against the union, Civil service union officials feel

the precedent of applying to ACAS will give them a further weapon in any forthcoming disputes.

Secondly, the unions hope the outcome of the case will help towards resolving anxieties that there is no satisfactory and watertight legal definition of employment in the Civil Service and suspicions that Ministers reserve the right to opt out of the provisions of employment legislation if necessary.

## AUEW defers Wright verdict

BY ALAN PIKE, LABOUR CORRESPONDENT

THE Amalgamated Union of Engineering Workers executive yesterday deferred a decision on disciplinary action against Mr. Bob Wright, the left-wing assistant general secretary involved in a controversy over the production of literature attacking the union leadership.

Mr. Wright yesterday spent more than an hour with the executive discussing the issue, which last week led to the dismissal of two members

of the AUEW research staff. Afterwards Mr. Terry Duffy, president, said that the matter would be "given further consideration at a later date."

The two research staff who prepared the material for Mr. Wright were dismissed for gross misconduct by participating in the production of literature calculated to discredit the elected leadership of the union in the eyes of the membership. Represent-

tatives of the union's senior staff are to meet Mr. Duffy, Sir John Boyd, general secretary, and other executive members tomorrow to discuss the dismissals.

The material prepared by the two dismissed staff for Mr. Wright was the AUEW education administrator, and Mr. Trevor Eward, a research and technical assistant-dealt with last year's engineering industry pay dispute.

### EFFECTS VARY AS THE STEEL STRIKE ENTERS WEEK NINE

## Workers vote to go back

BY RHYD DAVID

MOST PRIVATE sector steel-makers in Sheffield expect to be back in production by early next week following decisions by workers at a number of mass meetings to resume work.

The latest back-to-work move came yesterday at a meeting of Firth Brown's engineering employees, who voted seven-to-one to accept the decision last Friday by their colleagues in the Iron and Steel Trades Confederation to return to work. Earlier, members of unions in the Confederation of Shipbuilding and Engineering Unions at Firth Brown had been instructed by their officials not to co-operate with ISTC members returning to work against national union instructions.

Firth Brown said yesterday the group's works, where a total of 8,000 is employed, including 1,000 ISTC men, would be open from 6 am today, and it was hoped production could be picked up quickly.

Men at Templeborough

Rolling Mills have resumed work, joining others at Hadfield's who ended their strike on Monday. From next Monday, men at Osborn Steel, part of the Aurora Group, and at Spencer Clark, are expected to resume work. A number of other smaller independent steel makers which do not employ ISTC men have remained in production during the three-week extension of the strike to the private sector.

In Manchester, the Norwegian-owned Manchester Steel's two plants are both working normally, and men at the company's Bidston works in Birkenhead started work again yesterday afternoon after an earlier vote. The company employs about 850 men at the three locations, of whom about one-half belong to the ISTC.

The position in the North of England generally remains much better than was being predicted several weeks ago, with fewer lay-offs and less

picketing than expected, and stocks and incoming supplies much better, according to reports received by the regional offices of the CBI. The only significant lay-offs in the North-West have been in the car industry. Metal Box, for example, had to send home nearly 600 workers at Bolton and a further 180 at Carlisle.

In the North East, lay-offs have begun to occur at several engineering companies unable to get supplies of steel, and among suppliers to BSC plants in the area.

Generally, however, industry appears to be finding the steel it needs, either from its own stocks or from imports coming through a less than fully comprehensive port blockade.

A number of companies say that steel, where available, is costing substantially more. Overseas suppliers are insisting on contracts of 4-6 months in some cases as a condition of supply.

## Layoffs mounting as stocks dwindle

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

CONCERN is mounting in the Midlands at the likely impact on manufacturing of the steel strike which today enters its ninth week.

Guest, Keen and Nettlefolds said last night that nearly 1,700 workers had been put on short time or laid off because of steel shortages.

More than 3,000 workers in the drop forging industry are also working a short week because of the strike and the downturn in demand from the vehicles industry.

Foundries and rolling mills are also being hit because of raw material shortages. Mr. Steve Rankin, director of the West Midlands region of the Confederation of British Industry, said the next two to three weeks would be crucial. The steel stock position appeared to have deteriorated

and companies were reporting that important export orders were now at risk.

The problems for the West Midlands have been delayed in part because of the current low level of economic activity. The layoffs now being implemented by BL Cars to reduce stocks had been anticipated by many component suppliers who have been running down production schedules.

Steel stocks had been built up in advance of the strike and in the first few weeks of the dispute supplies were moving freely around the region as manufacturers prepared for the worst.

Indeed, many companies, who at the outset of the strike were reporting four weeks' stock, were claiming greater supplies as the dispute continued.

The advantages to be gained from switching supplies have been exploited and the total stock is running down.

Picketing in the region has been less effective than the steel unions would have wished, but it increased when strikers were ordered in from Yorkshire, Wales and Derby.

Two weeks ago, the Iron and Steel Trade Confederation was claiming 2,000 pickets but admitted even numbers were inadequate in a region with up to 500 steel stockholding outlets.

Numbers have since fallen to about 150 as enthusiasm for the dispute wanes and strikers take part-time employment.

The decision by 2,000 workers at the Round Oak plant, owned jointly by the British Steel Corporation and Tube Investments, to picket picket lines made an important setback.

The ISTC picket line was broken by a group of 100 men, who were in fact not pickets, but were in fact not pickets.

Mr. Roy Bishop, Divisional Officer of the ISTC, said last night that, apart from Round Oak, the strike was solid. More than 7,000 workers were out with the important steel rolling mills which are concentrated in the region at a standstill.

They blamed the shock defeat of the leadership's call for a strike against the rundown of the steel and coal industries on "misleading" appeals from Mr. Philip Weekes, the NCB's South Wales director.

Members of the British Iron and Steel Consumers Council—who account for more than half Britain's steel consumption—feel confident they can stay in production for several more weeks.

The members, which include most of the big steel users, are in a defiant mood summed up yesterday by director Mr. John Safford: "We say to Bill Sims and Len Murray, do your worst, we shall survive."

Only two sectors of the BRISCC membership—can-makers and the drop forgers—are having production problems. The can-makers are suffering increasingly from tinplate shortages because of their almost total reliance upon the BSC steel. The forgers are having some steel supply problems, but the fact that 25 per cent of the 84 companies in the industry have introduced short-time working recently can be partly explained by the recession in the motor components industry.

A growing number of British steel-using companies are turning to foreign suppliers in order to maintain production. The BRISCC now estimates that imported steel will take about 30 per cent of the market following the strike compared with between 20 per cent and 24 per cent during 1979.

## Warning on cuts deadline

BY ROBIN REEVES

THE BRITISH Steel Corporation redundancies programme may have to be pushed through before the existing August deadline, Mr. Peter Allen, BSC's Welsh division managing director, warned in Cardiff yesterday.

Mr. Allen said that the original timetable for shedding a further 32,000 steel jobs—some 20,000 redundancies have already been agreed with the unions—was back in the melting pot.

He stressed that, if as a result of the strike BSC suffered a huge loss of business, the rundown, which will create 11,300 redundancies at BSC's main Welsh works, Port Talbot and Llanwern, might have to be achieved even more rapidly.

Mr. Allen said large amounts of steel were being stockpiled in the ports and on the continent, ready for a major assault on BSC's markets once the strike was over. This would jeopardise the corporation's target capacity of 15m tonnes a year.

Meanwhile, Welsh miners' delegates meeting in Porthcawl to discuss last week's strike ballot passed a unanimous vote of confidence in Mr. Emyrn Williams, the South Wales miners' leader.

They blamed the shock defeat of the leadership's call for a strike against the rundown of the steel and coal industries on "misleading" appeals from Mr. Philip Weekes, the NCB's South Wales director.

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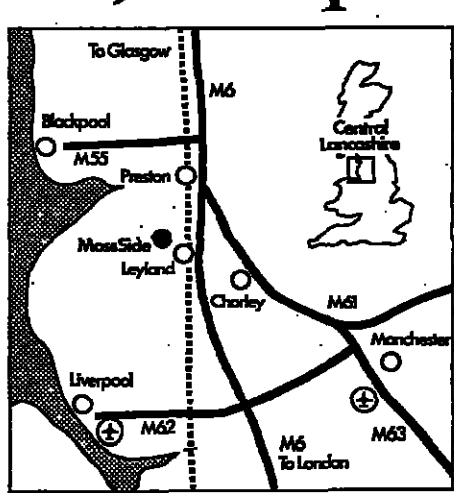
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## Consumers remain confident

By Roy Hodson

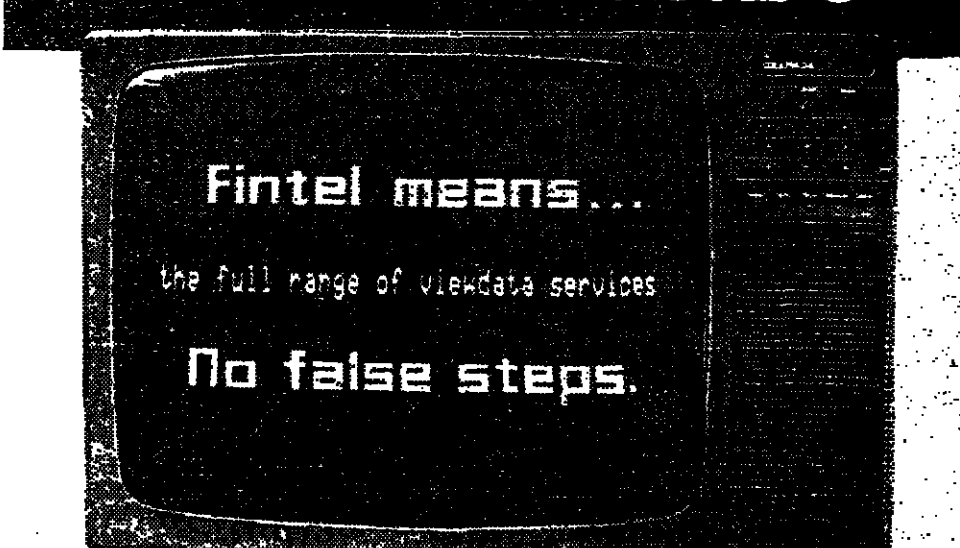
MEMBERS of the British Iron and Steel Consumers Council—who account for more than half Britain's steel consumption—feel confident they can stay in production for several more weeks.

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# Jenkin bows to court ruling

BY IVOR OWEN

BOWING to Monday's High Court ruling, Mr. Patrick Jenkin, the Social Services Secretary, announced in the Commons yesterday that the suspended members of the Lambeth, Southwark and Lewisham Area Health Authority are to be reinstated. But he insisted that there can be no question of allowing them to return to the over-spending practices which led to his decision last August to replace them

with commissioners. Backed by Government cheers, Mr. Jenkin emphasised that the decision by Mr. Justice Woolf that he had acted outside his powers in appointing the commissioners for an unspecified time did not affect the financial considerations which led him to suspend the area health authority.

He declared: "I make it clear that the judgment in no way changed the position that all health authorities need to control their expenditure within the cash limits."

Mr. Jenkin, who faced repeated shouts of "Resign" from the Opposition benches, clashed angrily with Mr. David Enoch, his Labour predecessor, who set the cash limit which the Lambeth, Southwark and Lewisham authority exceeded.

To Labour cheers Mr. Enoch told the Minister: "You have acted with some arrogance, brusquely and illegally and created great confusion in one of the largest areas in London as a result of action repudiated by the High Court."

Mr. Jenkin retorted: "If you had had a little more guts earlier the situation might never have arisen."

He left open the possibility of an appeal pending a detailed study of Mr. Justice Woolf's judgment.

Mr. Jenkin was cheered by Government supporters when he said his first concern was to accord proper respect for the Courts and for the rule of law. This meant that he had to give urgent consideration to the early restoration to the mem-

bers of the authority of their powers.

"I shall therefore this afternoon be considering with the chairman of the Regional Health Authority and the chairman of the commissioners the steps which might be taken."

"All this must be done in a way that ensures that the progress made by the commissioners in establishing financial control will be maintained."

Mr. Jenkin recalled that Judge Woolf stated that it was in the public interest that the commissioners should continue to act in the meantime and he applauded the progress they had made in bringing the financial affairs of the area under control.

Replying to questions about the decision taken by the commissioners to close two hospitals — St. Olaves and St. Johns — he explained that these had been short term measures to contain expenditure within the available resources.

**Overpending** "It is always open to health authorities to consider alternative ways of keeping expenditure under control," he said.

Dealing with the background to his decision to appoint the commissioners, Mr. Jenkin reminded MPs that the area health authority had already been over-spending halfway through the financial year, and had carried forward the over-spending of previous years.

"I took the view that the need was to act immediately," Mr. Roland Moyle, an Opposition spokesman on the social services, contended that the area health authority had been put in an impossible position by the extra costs caused by the decision in the June budget to increase VAT to 15 per cent.

Mr. Jenkin answered that every other health authority in the country had resolved to live within its cash limits. The Lambeth Southwark and Lewisham authority did not.

## Thatcher supports steel ballot

THE Prime Minister gave her full support yesterday to a ballot of the striking steel workers.

The British Steel Corporation is to ballot its manual workers to see if they want a vote on its 14.4 per cent pay offer.

**Consulted**

Replying to Mr. Michael Neuberger (C., Romford) she said: "I believe that workers who have been without a pay packet for some eight weeks and without strike pay as well have a right to expect to be consulted about their wishes for the future."

Later, in Prime Minister's question time, Mr. John Heddle (C., Lichfield and Tamworth) asked Mrs. Thatcher for her views on the decision of the Iron and Steel Trades Confederation executive to expel from the union "those workers who have exercised their wish to work."

**Blacklegs**

To shouts of "They're blacklegs" from the Labour backbenchers, Mrs. Thatcher replied: "I think it only brings trade unions into a conflict with public opinion. These workers only wish to carry on going to work in a company which was not in dispute with its own workers."

"They wish to carry on, both to continue to support their own families and to honour business contracts and both of these things should be encouraged," Mrs. Thatcher said.

## Insider share trading 'convictions unlikely'

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

DOUBTS WHETHER those who engage in insider trading would ever be successfully prosecuted under the Companies Bill were voiced in the Commons last night by Mr. Donald Anderson from the Labour front bench.

He was commenting on the provisions in the Bill which make insider trading illegal. The legislation was starting its two-day report stage in the Commons with a massive list of new clauses and amendments put down by the Government and Opposition.

"It appears that the possibility of a successful conviction on this insider clause is very remote indeed as a result of the obstacle course which the Government has provided for the prosecution," said Mr. Anderson.

"One is bound to raise a little doubt as to whether the Government seriously wants this provision to be effective."

**Dealing**

He suspected that the Government really considered that the insider clauses would only act as a deterrent and a declaration that insider trading would be viewed with official disfavour.

Mr. Anderson recalled that the provisions had been described as a "string vest rather than a strait-jacket." He believed that the string vest had so many holes that it would not deter anyone who was attempting to engage in insider dealing.

Mr. Anderson said that the new clause excluding anything done in relation to debentures by an issue manager provided it was done by him in good faith in connection with an international bond issue within three months of the issue date.

Also approved was a Government new clause extending to unregistered companies the requirement to disclose loans to directors and a clause requiring auditors to ensure that a statement of such loans appears in the company report.



CLINTON DAVIS: Unhappy with Government's handling of Bill

## Tory MP questions banks' profits

By Ivor Owen

CONCERN about the effect of high interest rates on small businesses and bank profits was expressed in the Commons yesterday by Mr. John Lee (C., Nelson and Colne).

He suggested to the Prime Minister that the Treasury should approach the clearing banks and ask them to consider using part of their "very substantially increased profit" to finance a reduced interest rate charge for smaller businesses.

Mrs. Thatcher replied that when interest rates were high, banks inevitably made higher profits at a time when other businesses were in considerable difficulty. Banks did less well when other businesses were themselves doing well.

**Explain**

"That certainly is a difficult problem to explain," she said. But the Prime Minister ruled out the introduction of two-tier interest rates or any other measure likely to result in increased borrowing which was itself the cause of high interest rates.

Mr. James Callaghan, the Labour leader, pointed out that during the course of her EBC television interview on Monday, the Prime Minister argued that wage earners were entitled to claim more when they worked for prosperous businesses.

**Substantial**

Did this mean that bank employees were entitled to a substantial increase?

The Prime Minister answered: "No. It has not been my policy to intervene in pay claims."

Aspect of the Prime Minister's television broadcast, Mr. John Townend (C., Bridlington) assured her that she would receive strong public support for the attempt to reduce Britain's net contribution to the EEC budget.



JENKIN: Will continue to fight for spending controls.

## Owen calls for income and prices policy

By Elinor Goodman, Lobby Staff

THE Labour Party must get together with the unions to start drawing up a credible prices and incomes policy to put before the country at the next election, Dr. David Owen, the shadow Energy Secretary and a possible outside runner in the Labour leadership stakes, said yesterday.

It was essential, he said, that Labour used its time in opposition to tackle some of the fundamental issues which had undermined previous incomes policies such as ensuring that wage restraint did not merely lead to higher dividends for shareholders.

In a lengthy speech to the Oxford Labour Club Dr. Owen floated a number of ideas for controlling wages, including a new "concentration" procedure in which the government would bring together unions and employers to agree a general guideline within which free collective bargaining could take place. He also stressed the need to bring together all the pay review bodies into a single comparability commission.

Dr. Owen acknowledged that there were those in both the Labour Party and the trade union movement who would deplore any attempt to revive discussion of an incomes policy. But as inflation gathered momentum, he said, the country would support any party which was seen to be tackling inflation.

The Labour Party and the trade unions must not allow themselves to drift apart. A Labour Government could only build a new policy with the support of the unions and "at a minimum the acquiescence of most employers."

The first major issue to be resolved, he said, was the extent to which prices and incomes policy should contribute to a redistribution of income. Previous incomes policies had tended to narrow differentials and there was a strong case for leaving redistribution to tax and social security policy.

"I believe we have expected much too centrally chosen rigidly applied norms and not recognised that while a specific figure is necessary for the government to apply to its own employees, this does not apply to the private sector."

The private sector he suggested could be covered by a centrally agreed "target zone" which would allow collective bargaining to continue within certain parameters and would recognise the extent to which trade union structure had already become decentralised in private sector negotiations.

## Labour launches petition on cuts

BY RICHARD EVANS, LOBBY EDITOR

THE LABOUR PARTY launched a petition yesterday against the Government's proposed public expenditure cuts, which will be presented to Mrs. Margaret Thatcher in June, following the anticipated collection of thousands of signatures.

Seen as part of an increasing campaign of protest, the petition deplores the Government's cuts in Social Services, housing, education and social benefits, and supports the view that public spending is vital to the nation's economic and social wellbeing.

The next aspect of the campaign comes in the Commons tomorrow when the Opposition will move a motion of no confidence in the Government's economic and industrial policies, including the planned cuts.

It was confirmed yesterday that the public expenditure White Paper for next year, and for the years up to 1984, could be published on Budget Day, March 26, although the timing has yet to be decided. The argument in favour of Budget Day publication is presentational, as it would mean combining both pieces of unpopular news on the same day.

## Ulster talks 'will produce agreement'

MR. HUMPHREY ATKINS, the Northern Ireland Secretary, said yesterday he is convinced the Ulster constitutional conference will reach "some level of agreement" on a future Government for Northern Ireland.

Whatever the three parties meeting with Mr. Atkins decide will form the basis of the proposals the Government will put before the Commons.

Addressing members of Armagh District Council in Markethill, he dismissed the conference-knockers.

"It is clear to me that there will be a level of agreement between the participants on the matters being discussed," he said.

"Of course, I cannot say how high that level of agreement will be and that is why the conference has a considerable amount of work ahead of it."

Mr. Atkins said the Government was determined to build on the agreement reached in the conference but there was no "cleverly contrived plan" sitting in the Government's cupboard waiting for the conference's conclusion.

"There will be continuing discussions with the participants at the conference and others in Northern Ireland so that at the end of this process, we shall be able to bring before Parliament proposals for the future Government of the province."

Mr. Atkins said there had been scepticism at the outset about the possibility of success for the conference. The past

week had proved that no one taking part in the discussions wanted to see failure. Some people might believe defeating terrorism was the greater and more urgent problem, he said.

"But terrorism is something with which we have had to deal for many years, which we are determined eventually to eliminate and which has nothing whatever to give to the people of Northern Ireland."

"We are engaged upon a genuine and determined effort to find a political way forward which will give the province hope for a more normal and more balanced society."

The parties taking part in the conference—the Rev. Ian Paisley's Democratic Unionist Party, the middle-of-the-road Alliance Party and the mainly Catholic Social Democratic and Labour Party—have been remaining silent about conference discussions.

However, the rows outside the discussion chamber have suggested that the two factions are sticking in their past, saucy positions.

The conference resumes today with the Democratic Unionists putting their proposals for a new government. The party bases its plan on a majority rule, Cabinet-style Government, but claims to have ideas for a meaningful role for the minority.

Mr. Paisley has said, however, that he will not tell the SDLP his plans for the minority until they have accepted the principle of majority rule.

## Job creation optimism

BY OUR BELFAST CORRESPONDENT

THE ANNOUNCEMENT of 2,825 new jobs in Northern Ireland so far this year was a significant achievement, Mr. Giles Shaw, the Parliamentary Under-Secretary responsible for industry in the province, said yesterday.

Because the province still offers the highest industrial incentive in the UK, it could continue to attract mobile investment from abroad, in spite of the international economic climate and fierce competition, Mr. Shaw told businessmen in Belfast.

A total of 4,600 jobs were created last year and 5,800 in 1978. He said it was extremely pessimistic to say the local economy was in a severe decline, with the implication that recovery was impossible.

The Government was making every effort to ensure the province would benefit fully when the upturn came.

Mr. Shaw's rebuttal of gloomy forecasts followed a recent analysis of the Northern Ireland economy by Coopers and Lybrand, management consultants, which predicted unemployment could reach 13.5 per cent seasonally adjusted by the end of the year. Unemployment rose by 0.5 per cent points to 11 per cent.

Another 100 jobs will be lost in Belfast through the trimming of the 450 labour force at Goblin, the tea-making appliance and vacuum cleaner manufacturer. It blamed falling sales and said short-time working had failed to reduce stocks sufficiently.

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## MANAGEMENT

## How to dispense with your personnel department

IF YOU are the personnel manager in a reasonably small company it might be worth your while going to some lengths to prevent your chief executive clapping eyes on this article.

For in the market town of Hinckley in Leicestershire is a fast growing company which might take away a personnel manager's livelihood. "Companies don't need personnel departments—they just have them as status symbols," argues Dennis Hunt, the chairman and founder of IRPC. He thinks companies should sub-contract the personnel function out to him.

Industrial Relations and Personnel Consultants defines a conventional label as it combines consultancy with insurance. At a push, it might be described as being to the industrial relations of small companies what the AA is to motoring.

Its main activity is installing into companies complete "personnel systems" which provide—in the form of updatable loose leaf folders—idiot-proof guides on all aspects of personnel. The systems can be implemented by non-specialist staff.

They include information on how to recruit—complete with model letters to write saying yes or no to applicants—on contracts, disciplinary procedures, redundancies and so on including yes/no flow charts on dismissal procedures.

This last looks as though it would be very useful in venting a company's anger in an industrial tribunal through sheer ignorance of normal practice and the rights accorded employees in industrial legislation. And according to Hunt such ignorance is rife in medium and small sized companies.

Once the system is installed IRPC provides a 24 hour telephone advisory service. Any company employing its systems can seek free advice from one of IRPC's consultants, at any time of day or night, on an industrial relations problem. As Hunt points out, some of the biggest mistakes can be made on the night shift or at weekends.

As a backstop there is an insurance policy which covers the firm for any legal expenses awards which may be made against any client company when an employment case is taken against it. Although a

number of companies provide insurance for legal expenses IRPC claims to be the only one which first provides the system and the help which, ideally, prevents a company doing something which lands it in the industrial tribunal in the first place.

IRPC argues that a company with, say, 350 employees would have a personnel department of one manager and a secretary with a budget of between £15 and £20,000. "For that," says Martin Lewis, managing director of IRPC, "they are probably getting a pretty mediocre service. That person is going to have to take a total responsibility for personnel, industrial relations, training and health and safety."

He contrasts that with the fact that IRPC has its own specialist expertise in each field and that it is available 24 hours a day every day of the year—unlike most personnel managers. Furthermore it is cheaper.

## Tailored

A company with 350 employees (large by IRPC's standards) and a wage bill of around £1.4m would pay £650 for the system to be installed and an annual premium of £1,690. For that they would get an individually tailored personnel system—the tailoring is done from a questionnaire sent by post. Included in that is the advice service and the insurance for any industrial claim (not to cover industrial action, of course).

A number of companies which come to IRPC do so because they actually have a problem on their hands—that is they are being taken to a tribunal or are frightened their staff are going to seek union recognition.

About thirty per cent of the company's present turnover of about £1m comes from "fire fighting," tribunal representation and general consulting. The bulk of its sales come from the personnel systems—about 65 per cent; the remainder comes from straightforward consultancy work and a recently introduced health and safety system which although it includes an audit of the premises, works on similar lines to the personnel one.

Both Hunt and Lewis are careful to say that IRPC is not an anti-trade union organisation, although some trade unions

think they are. But Hunt says he has refused to work for "a couple of companies which were vehemently anti-union beyond sense."

Nevertheless IRPC will help a company install a proper personnel system with proper disciplinary and consultation procedures to help it outflank a union trying to move in on a company. Hunt adds that it will act on behalf of an individual, who for instance, has been sacked, against an employer, providing the employer is not a client.

Hunt himself quit a senior personnel job at British Leyland back in 1976 because he was "intensely frustrated at the pseudo-bureaucracy." He set up his own personnel service at a time when he realised companies would be having great difficulty digesting a spate of employment legislation. Today IRPC employs 70 people.

The company has recently expanded its insurance to cover the legal costs and expenses of all criminal prosecutions, with the exception of those involved with motoring, taken against the company.

Although IRPC has several competitors in the fast growing legal expenses insurance business it is different in that it is first a consultancy backed by an insurance service, whereas the others start from an insurance base.

Although it offers its services to trade associations—for instance it covers the 2,500 flower-shops in Interflora—Hunt is not worried that the advice service will become overburdened. Although some people phone every week, others only do so occasionally when something blows up. The likely demand on the telephone service is calculated in much the same way as insurance risks are.

Ambitious plans for expansion include a training centre at a country retreat—where client companies can send managers for training in industrial relations, or use it for in-house training if they wish. IRPC also has plans to extend its insurance activities.

As long as it does not over-extend itself, it would appear to be in a strong position in a large market—a large number of small companies are far from expert on employment legislation and would be reassured by the assistance and insurance from IRPC.

Jason Crisp

HE IS 37 years old, and likely to have originated in the south of Italy. More surprisingly, he is for the most part comparatively happy with his job, takes a fairly dim view of the trade unions and is more likely to be concerned about the health dangers of factory life than the supposedly oppressive designs of management.

This is the distinctly unexpected profile of the average Fiat worker which emerges from a comprehensive survey of shopfloor attitudes carried out by the Italian Communists. The first results were released last week on the eve of a much belated party congress in Turin to examine the present troubles of Italy's largest private manufacturing enterprise.

The curtain-raiser proved much more interesting than the main performance. If the congress threw little real fresh light on how to tackle the company's abiding problem of low productivity, the survey dispelled many accumulated myths about the Fiat workforce, whose feelings inevitably provide something of a barometer of industrial relations in the country as a whole.

What emerged has come as

## A lighter shade of pink

Rupert Cornwell reports on the unexpected results of a survey of Fiat's workforce



Fiat Strada

a surprise to many Italian observers. For a British reader, perhaps, it has an uncannily familiar ring, after the strong anti-union, moderate viewpoint which shone through the recent votes of the workforce of British Leyland—whose plight it should at once be said is infinitely more serious than Fiat's is, or is likely to be.

But until last week, the abiding image of the average Fiat worker had been moulded by the tumultuous events of 1979: a protracted string of strikes connected with the renegotiation of a three year national engineering workers contract, repeated acts of terrorism, often aimed at company executives, and the dramatic sacking of 61 workers last October, accused by the management of being chronic troublemakers, and responsible for shopfloor intimidation and violence.

But the answers given by

almost 6,500 men (a cross-section of the workforce at Fiat's Turin plants) to a detailed questionnaire circulated by the local Communist Party present a very different picture.

Asked what was most important to them in their jobs, 36.5 per cent replied a satisfactory pay packet. Next came the 31 per cent who demanded a safe and healthy work environment, and well behind, with just 15

per cent, those who echoed the current union platform of greater variety and less repetition in their work.

Moreover—although the party pointed out that most of the respondents were young or very old—exactly three-quarters of them declared that their present job was fairly good, good or even very good.

A surprisingly large number considered that co-operation between management and shop-floor was necessary, in the interests of everyone. The vast majority stoutly believed that Fiat was still fully competitive with its foreign rivals. Those who did not divided the blame equally between management on the one hand and unions and workers on the other.

The answers to a question on what the men felt about the sacking of the 61 also mirrored the response obtained last November by the unions

to a strike call to protest against the dismissals. A quarter professed no interest in the affair, and a further third believed that the company was justifiably ridding itself of troublemakers.

Half the sample said they did not belong to any union, and only 32 per cent avowed to having always taken part in industrial action called by the unions. Moreover, 46 per cent declared the national contract negotiated by the unions and finally agreed last year to be "unsatisfactory," while the country where workers were considered to have more influence than in Italy was most widely held to be West Germany.

The results of the survey so far are enough to arouse suspicion that union complaints of losing control of the rank-and-file may reflect too little moderation rather than too much.

## The pensions buck stops at redundancy

WHILE THERE are problems enough associated with pension rights when an employee changes jobs, there is one particular aspect of the subject that needs special consideration—and that is the position of the employee made redundant or who leaves the company other than voluntarily. The pensions industry describes this as "no fault" withdrawal.

The problems facing the redundant employee and his family were highlighted by a letter sent to me by a reader, who quoted two case histories.

In the first case, the employee was made redundant after paying in £724 to his pension scheme, with the employer paying a further £1,707. He was offered a refund of £574, or a deferred pension in 20 years' time of £294.57. The refund represented a return of premiums without interest with a deduction for tax and a payment to the State scheme. Both deductions were legal requirements. There was no provision for the deferred pension to be protected against inflation.

One leading pension consultant pointed out that since the preservation requirements of the 1973 Social Security Act and the contracting out requirements of the 1975 Social



Security Pensions Act came into force pension schemes have made no distinction in their rules between voluntary and "no fault" withdrawals.

In contrast, there was a time when some employers adopted a more paternalistic approach to pensions and it was not uncommon for the pension scheme to provide different and better benefits for the employee who left through no fault of his own.

The minimum amount a person can now take out of a pension scheme or have preserved is set out in legislation and the actual amount above this minimum is contained in the rules of the scheme. Because the legislators, in their wisdom, did not distinguish between the two types of withdrawals, neither has the

pensions industry in its rules.

But the consultants feel that if better benefits for redundancy cases were provided for in the rules of a scheme there would be no objection from the Superannuation Funds Office of the Inland Revenue.

For example, the refund of contributions could be with interest instead of invariably without. And more important, the preserved pension could be revealed to maintain its purchasing value.

## No fault

In the discussion on the general subject of maintaining the value of preserved pensions for those who leave, it has been suggested that these should be revealed in line with some inflation indicator—earnings or prices. But no-one can agree on who should meet the cost—the old employer, the new employer or the State.

With "no fault" withdrawals, there is a stronger theoretical case for putting the cost on the old employers. But there is the practical difficulty that in most cases he cannot afford such costs. The redundancies are most likely being made because of financial problems in the company. One solution

could be a central fund to provide a reasonable measure of pension protection, just as there is a statutory redundancy fund.

The second case history concerns the fate of the wife of an employee. He died 20 days after being made redundant. But there was no death in service lump sum benefit paid as he had technically left the pension scheme.

A pension is a deferred benefit provided by the scheme. But the lump sum payment is an immediate payment should death occur. People being made redundant can afford to wait while their pension rights are sorted out. But the death cover needs to be continued for the period until the employee can get another job and renew cover through the new company's scheme.

There is no reason why the scheme rules should not be amended so that death cover continues for a certain period after the employee is made redundant or until he gets cover from another scheme. The Revenue would most likely allow the cost to the employer. Or the redundant employees might be covered under a special scheme just for them.

Eric Short

## Technical News

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## METALWORKING

## Quicker check on dimensions

TIME SPENT on diesel engine crankshaft inspection at R. A. Lister's Dursley (Glos) works factory has been more than halved by the use of a Mini Check 3-axis electronic measuring machine. The machine is mounted on a 6 ft x 4 ft table together with a fixed centre and dividing head, and a set of V blocks on which the crankshafts are spun for inspection.

Accuracy, as well as the speed of the operation is increased, and a digital readout makes it easy for inspectors to use. A height measuring unit operating in the vertical (Z) axis, coupled with a "T" shaped slide and guide bar assembly is mounted on the granite table to provide accurately controlled movements in the X and Y axes. These are equipped with a Inductosyn solid state measuring elements feeding positional information to individual digital readout displays.

Features include lock and micrometer fine adjustment, dual inch/metric selection, infinite datum shift and data insert facilities. An air bearing base on the Z axis provides easy movement round the table.

Similar equipment at the

Thrupp works at Stroud (Glos.) is used to inspect crankshafts and fan shafts for small diesels. The Dursley set-up deals with crankshafts for diesel generating sets and automotive applications. The equipment is supplied by LK Measurement and Control Systems, East Midlands Airport, Castle Donington, Derby.

PETER CARTWRIGHT

## HANDLING

## Carriage of chemicals

DESIGNED FOR easy filling, with a choice of discharge methods is a one-trip polythene container which is mounted in a half-wall wooden case with pallet base and is said to be particularly suitable for the transport of a wide range of chemicals.

This bulk container has a capacity of 1,145 litres, is called the Econotank, and is available from PD (Technical Mouldings), Rutland House, 20 Mayday Road, Thornton Heath, Surrey (01-689 4338).

## PROCESSING

## Solution to rising price of gold

ACCORDING TO the Balco Group, the escalating price of gold means that the cost of the solution used in gold plating is likely to exceed the cost of the equipment necessary for processing.

The company, which has considerable experience in reducing the size of electroplating systems for the jewellery industry, has consequently developed the PC Microplate which gold plates printed circuit board edge connectors on double-sided boards up to 355 mm long using only three litres of gold solution.

Boards are horizontally agitated on an oblong section FVC rod and current is supplied from a built-in fully variable DC power source. Connection to the boards is by means of a plug-in flying lead arrangement to ensure good electrical contact. An ammeter is provided and heating is by a thermostatically controlled indirect heater permitting use of the full tank size.

Anodes provided are platinum coated titanium and the unit measures 630 x 200 x 190 mm. More from the company at 33, Hylton Street, Hockley, Birmingham B18 6HJ (021-554 1026).

## WELDING

## Flux cuts costs

ACCORDING to BOC Murex, costs can be cut by up to 15 per cent in AC and DC single or multi-wire submerged arc welding using an aggregated flux called Satisfire BX3.

Applicable to a wide range of mild and medium tensile steels, the flux is the result of considerable development work aimed at producing an agglomerated material with mechanical properties equal to those of many higher grade, higher cost products. Usage rate of the flux is low, slag is self-releasing and high welding speeds can be obtained giving, the company claims, significant reduction in materials costs and operator times.

Satisfire BX3 has a high resistance to weld cracking, producing weld metal of exceptional quality, even when used on dirty or scaled plate. It has been approved to grade two of three by Lloyd's and other leading authorities when used with Beststrand S1 wire.

BOC Murex is at Hertford Road, Waltham Cross, Herts EN8 7RP (Lea Valley 710000).



A good idea for noisy factories is exemplified by this portable "quiet room" in which staff can relax during break periods. It is supplied by Tantale Acoustical Engineering, 155 Crayford Road, Crayford, Kent, and this one has been installed in a Kent paper mill. The unit is air conditioned, has double glazing and roof lugs for lifting. It can also be moved by a fork lift truck.

## MATERIALS

## Keeps the parts in place

THE SOLDERING of connections on a circuit board or repairs to tiny mechanisms which could slip away on a working area, are made easier and more manageable with the use of an antislip material used as a surface on a workbench.

This material is produced by Spirig of Switzerland and known as StopSlip elastomer, is available in flexible mats in two thicknesses—1 mm and 2 mm—and any desired dimension up to one metre square.

Thinner mat can be ordered in roll lengths and is coloured deep blue, while the 2 mm ones are available in three extra colours—green, red and yellow. A piece of the material can

## INSTRUMENTS

## Hydrocarbon analyser

LIKE THE U.S., many countries will in due course very probably introduce legislation regulating the emission of unburned hydrocarbons from engines. Meeting the measurement need is Analysis Automation of Oxford which has introduced the model 523/II analyser.

This instrument uses the established flame ionisation method which gives excellent sensitivity for hydrocarbons, together with fast response and high accuracy.

All the sample components of the instrument are temperature

be brought very close to vertical, and flat objects simply placed (not stuck) on it will stay in place.

This high-friction pad is said to prove particularly advantageous to instrument repairmen because it offers a scratch-preventive surface on which to work and also snags small components so that they can't inadvertently blow away.

Electronic technicians are said to be able to use it as a "third hand" enabling them to use both hands for soldering or unsoldering a connection while the assembly is firmly held to the mat.

More from Dipl. Ing. Ernest Spirig, PO Box 160, CH-9640 Rapperswil, Switzerland.

## DATA PROCESSING

## Aids home seekers

THE NEW generation low cost microcomputer systems have created possibilities with information processing that previously could only be realised by large and expensive computers.

Today cheap commercial packages, priced between £95 and £500 are available for a range of applications, varying from mathematical modelling to word processing. In the US there is a growing business developing software for small computer systems from the U.S. and Japan.

One such software package for estate agents has just been released by Personal Computers the specialist systems supplier of Apple and Sharp microcomputer systems. Priced at £500, the software (£2,000 for hardware), the system is called "Homefinder" and has been designed for agents that have up to 800 properties and 800 customers on file.

The system offers four levels of service facility: a personally styled video publicity programme, a customer self-service property inquiry facility, a managerial inquiry service and a customer mailing list module.

The publicity capability allows the estate agent to display, via a colour video monitor, an individually styled publicity program, with 25 messages detailing star properties. The visual display can, if necessary, provide a low cost advertising display capable of running 24 hours a day.

There is also a small handheld terminal device that allows customers to interrogate selected files, and establish the addresses of properties meeting with certain requirements such as size, price, type of house and geographical area. Details of the latest mortgage rates and repayment conditions can also be produced.

## Software aids networking

A NUMBER of new software items have been announced by Digital Equipment Company which will enhance data communications for PDP 11 users involved in networking.

Principal release is Decnet Phase 3 network software for PDP-11 machines using RSX-11 operating systems. It follows the original Phase 1 introduction of 1976 which allowed the establishment of basic physical and logical links for network operation, and Phase 2 in 1978 which added capabilities such as inter-system file transfer and access to remote resources such as mass storage devices.

Phase 3 includes, for example, adaptive path routing which allows one DECnet node to send messages to another through intermediate nodes, providing automatic re-routing in order to by-pass inoperative lines or systems.

A further addition is multi-point communications whereby several computers share a single communications line and channel their messages through a control station or master system.

Also newly available are network command terminals, giving a user at one node direct access to any other node using the same operating system. In addition, new network management software permits either centralised or fully distributed control and tuning of network efficiency for maximum

## SAFETY

## Senses gas on ten channels

A SYSTEM providing automatic alarm and control functions at two pre-set levels of gas concentration on up to ten independent channels has been introduced by Hazard Control, Park Road, Barnet, Herts EN5 5SA (01-440 7181).

Electro-catalytic and various other sensors can be used, all conforming to BS4584 standard SFA 3009 1972 and BS 4683 part 2 1971 for group 2c.

The system is aimed at the petrochemical and offshore industries where space is at a premium; it occupies relatively little height in 19 inch rackings. Its high loop resistance allows cable down to 0.5 sq. mm to be used, giving cost savings.

Known as Model 300, the equipment is made by Euro-Scientific and is relatively easy to maintain since poisoned sensors can be easily dismantled and the elements returned for re-activation.

## IMI

for building products, heat exchange, fluid power, general engineering, zip fasteners, refined and wrought metals.

IMI Limited, Birmingham, England.

## TRANSPORT

## Industrial tractor

A ROUGH terrain four-wheel drive, pivot steer, industrial tractor has been put on the market by Bray Construction Machinery, London Road, Tetbury, Glos GL8 8JD (0686 52171).

The company has said it is the T100, and says it is aimed at the requirement of original equipment manufacturers for a prime mover of substance which affords the space and performance on which to mount their own equipment, or for use as a straightforward towing tractor. The T100 has a 2.114 bhp six-cylinder Ford diesel engine driving a single stage torque converter with semi-automatic transmission. Maximum road speed is 20 mph.

Bray says the first production T100 has been sold to the British Forestry Commission for conversion to a double drum winch skidder.

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3 course lunch at only £8.90



# If the tyre industry's ever going to beat its problems, the first thing it needs is a better tyre.

If you listened to the prophets of doom, you'd think it was all up with the tyre industry.

There's overcapacity, they tell you. The market's been ruined by cheap imports.

And, to finish things off, the main product – the steel-braced radial – lasts too long.

We'd say two things on all this at Firestone.

First, a strong industry needs strong products.

People who know how to make tyres have to keep on improving them, to give the customers a reason to buy, and our colleagues in the trade a benefit to sell.

Next, we've got to let everyone in on what we're doing.

When a customer walks into a shop or garage, he's concerned with his problems, not ours.

From a tyre, he wants value for money. He

wants a comfortable ride. And, above all, he wants safety.

Now, as ever, the secret of success is to show him a name that *he knows* offers more than the others.

That's how we developed the Firestone S-211.

Our researchers and designers weren't asked to worry about East European imports.

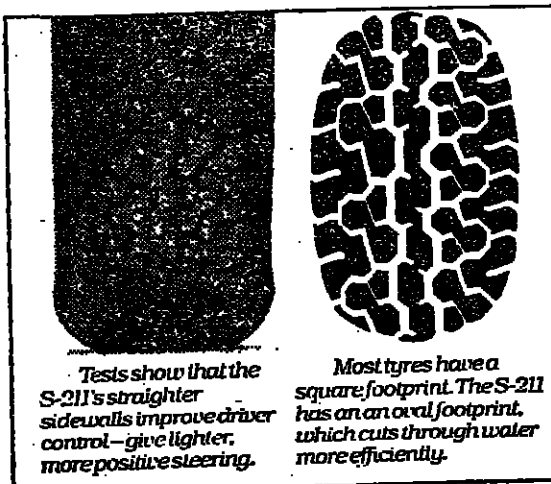
They were asked to produce a tyre that would out-perform the best tyres on the market.

The Goodyear Grand Prix S. The Michelin XZX.

The Pirelli P3. The Dunlop SP4.

Among other advantages, they gave the Firestone S-211 straighter sidewalls, and a special tread profile that makes a unique oval footprint.

This design makes for outstanding handling, and lighter, more positive steering.



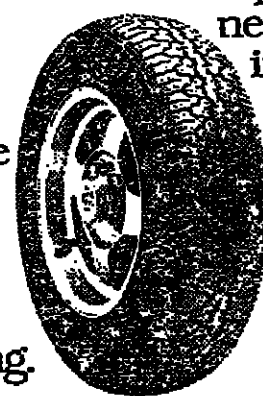
It gives the Firestone S-211 greater strength and durability at high speeds.

In the greatest killer of all, water, it puts the S-211 in a class by itself. Our own – and independent – tests show that the S-211 is still gripping in conditions where the competition is aquaplaning.

"Until one of the other major companies comes out with its new radial," summed up Frank Page in *The Observer*, "the S-211 series is setting the standard."

We're running our biggest advertising campaign ever to give motorists these facts. They need to know them even more than the tyre industry.

A better tyre is our living. But it's their lives.



## Firestone S-211 Steel Radial



# Misunderstood monetarism

BY PETER RIDDELL

MONETARISM is the most misunderstood word in the current political and economic vocabulary—abused by over-zealous supporters and critics alike. It has now become a catch-all for a whole range of policies and attitudes which stretch well beyond the belief that the rate of growth of the money supply is the crucial influence on the trend of inflation over the medium term.

## Equality

Some of the critics use monetarism as a virtually a synonym for the worst excesses of Victorian capitalism. This applies not only to the far-left but also to many in the centre-right of the Labour Party who have forgotten—or opportunistically chosen to ignore—that a monetary target was first introduced and given prominence by a Labour Chancellor. Indeed there is a tendency among economists who openly profess to be Labour supporters (whether traditional neo-Keynesians or new Cambridge protectionists) to erect a social and professional barrier against those who regard monetary policy as important. This is all very different from the 1930s when, as Philip Williams points out, there was considerable discussion about monetary policy among Labour intellectuals (and future ministers) of the day.

A belief in the importance of monetary policy is not incompatible with such social democratic objectives as equality of opportunity. Similarly, an emphasis on the need to restrain monetary growth—and to limit public sector borrowing—has no direct implications for the level and structure of taxation and public spending, as opposed to the gap between them.

Monetarism also suffers the opposite fate of being over-promoted by its supporters. Although the theme "monetarism is not enough" has become almost a cliché in ministerial speeches, the impression has been given that the Government is relying almost exclusively on monetary policy to achieve its goals. Fairly or unfairly ministers

have seemed to be adopting a "take-it or leave-it" attitude as if saying that there is no alternative to the present strategy of monetary restraint is sufficient. Some ministers appear to forget that they are politicians whose task is to win support from people who need to be reassured about the threat of unpleasant structural change. Arguments about monetarism also tend to be confused with the separate issue of the application of market disciplines to economic and industrial life.

Even on its own terms there is a danger of monetary policy being over-sold. A striking example occurred earlier this month when, in reply to Commons questions about the growth of bank lending, the Prime Minister said the proposed monetary base method of controlling the money supply "would be very much fiercer than anything we have at present." There were noticeable twitches from the Treasury and the Bank of England since the endlessly redrafted consultative document on this issue will offer primarily technical improvements. Mrs. Thatcher cannot be expected to be well-informed on all the details of monetary policy but she should not exaggerate the likely impact of any changes. The present danger is the rather different one of whether Mrs. Thatcher and her ministers are prepared to face up to the implications of what their existing monetary commitments could mean for the level of interest rates.

## Framework

The overall problem is how to take the "ism" out of monetarism. A more restrained approach was suggested in a speech last week by Mr. Gordon Richardson, the Governor of the Bank. He stressed the continuity of monetary objectives under administrations of both parties and the need to recognise that monetary policy, while central to the fight against inflation, could only provide the framework for economic strategy generally. The size of the public sector, problems of industrial and regional change and the structure of taxation are all important issues but they are not the same as achieving the right monetary policy—a difficult enough job in itself.

YOU ALL know the florist's slogan: "Say it with flowers!" There are flowers for friends and for Granny, with a smile to say that some poor soul remembered. Less is said about flowers, which cause arguments. I have fallen out with friends over quite a few flowers, over my taste for red hot pokers and their taste for heathers and small conifers. Pokers, or Kniphofia, can raise the temperature, but nothing is so divisive as my taste, which is for dahlias.

## Dusk setting

There is a rarefied level of taste in flowers which glides from one green lily to the next, admires off-white and acid yellow and thinks that a plant which only be planned in pastel colours only. Grey leaves are in, nasturtiums are out. Dusk is the hour for these gardens, when the sky sets off the pallid colour of the old-fashioned roses. Dahlias, here, are a gross affront, a subject not fit to be seen near the Arts Page.

This week, I find myself in the spring lists of new dahlias, warm weather for my old stock in the garden shed and a sense that growers of dahlias ought to begin to stir themselves. Pale and wan taste is welcome to its own green sickness. I like the

history of the dahlia, its freedom of flower and some, at least, of its infinite varieties. Now is the season to put up old tubers by pressing them into a good fibrous soil. Do not bury them so that their colours may rot if made too wet too soon. The soil, in fact, need hardly be watered. It is best when almost dry until the old tubers are alive with their green young growth. You can split up old tubers, of course, into many more. Those Shakespearean plants called dark men's fingers which others knew by grosser names. Shakespeare's age could not have known the dahlia. Its history began elsewhere.

The dahlia, remarkably, began in Mexico. The Spaniards first saw it among the Aztecs and described it for us. They knew it by its native name which meant "water pipe," referring to the hollowness of the stems, a curiosity which is known to every dead-headed in late summer. So far as I know, it was left to its own devices in Mexico until the late 18th century, when tubers of a wild purple-pink variety reached the Escorial's royal gardens in Madrid. It is said that they were declared strictly private property and the result that somebody persuaded the head gardener into giving him a few spare tubers. The friend passed them on to another friend, who

passed them to the Jardin des Plantes in Paris. They were said to be so rare and regal that the French king, Louis XVI, ordered them to be sent to England, where they died. Tubers also reached England and met with the same fate.

The dahlia's tale, then, points a moral for people who steal pieces of rare plants from public gardens. Usually, they choose plants which they cannot grow elsewhere. The dahlia, however, did not stop at that point.

## GARDENS TODAY

BY ROBIN LANE FOX

In 1904, seeds were sent home to Berlin from dahlias in the Mexican wilds. Seeds had also reached a private lady in England. Both made a go of them and started a split over its name. The English followed tradition and called it dahlia after a Swedish botanist, pupil of the great Linnaeus. We all mispronounce the name which ought to rhyme with "Italia," not with "failure." The Germans called it Georgia after a Russian botanist who bred so many varieties at such speed that their name, too, became widely known.

The development of the dahlia soon impressed philosophers, a

group not much noted for an interest in flowers. The change in the dahlia was extraordinarily quick. By the 1820s, there were all sorts of varieties in England, all but from one species. By the 1850s, there were no fewer than 1,200. The growth of the dahlia was used against the arguments of Rousseau: how could nature be the ideal standard, as he said, if nature's dahlias had been improved elsewhere. The dahlia, however, did not stop at that point.

Their remarkable changes were not lost on the young Darwin. He noted how dahlias had been so greatly improved by man in half a century until their colours and season and shapes were far superior. Here, in miniature, was an example of selection at work in nature, speeded by the intelligent hand of man.

Nowadays, taste is less certain. There are those who feel that the new flood of dahlias is monstrous and that their flowers have become too vulgar. I disagree. As cut flowers they are all handsome, even the rose pink decorative variety. For the rest there are so many varieties that it is absurd to look

down on them because massive pom-poms and orange decoratives are fit only for village flower-shows.

The collarette varieties are worth anybody's money. They are three feet high, excellent as bedding plants, semi-double and prettily coloured. The centres of the flower have a ring of petals whose colour contrasts with the outer ray. Too few forms have been selected for sale separately, so you may have to put up with a mixed bunch. If possible, buy the dark bred with a light yellow collar in its centre and mass it as a summer bedding plant. Twenty tubers go a long way, giving colours which are not to be found together in any other flower. It is time we tried a dark-flowered garden with a few white companions to set it off. Among bedding plants, dark collarette dahlias could be a handsome theme to follow deep maroon tulips.

## Insignificant

Avoid the new small Topmix varieties which, in my opinion, are too insignificant to be worthwhile. The anemone-flowered mixtures are better. They won the round last year in a dahlia trial and then in a recent garden on the South Coast. They have a heavy central boss of petals which fills out their

flower most delicately. Two or three feet high, they are another useful type for gardeners who want summer bedding without the bother of growing young annuals from seed.

When I come, lastly, to the cactus section I am aware of treading with glee on some strong prejudices. Most of them, to my eye, are very handsome. Those who dislike dahlias on principle do not distinguish these cactus varieties from the large and shaggy decoratives. The best forms in the cactus section have finely-cut flowers, like a desirable chrysanthemum from Japan. These twisted petals avoid the excessive regularity of varieties with large flowers. If you want the best, buy a tall white called Polar Light which will reach four feet and is a match for any elegant border plant in late autumn. These dahlias have the merit of height. Any primrose-yellow form is a good companion, but try to avoid varieties with stiff flowers.

Dahlias, in short, are desirable anywhere if you avoid flowers which are too heavy and over-bred. The next week or so is the proper time to order tubers from a good bulb-merchant. They are not to everybody's taste, but I cannot regret the efforts which have been made to grow these flowers so remarkably since their days in the Mexican plains.

# Bookmakers in levy agreement

AN AGREEMENT between the Levy Board and the four major bookmaking companies—Corals, Hills, Ladbrokes and Mecca—has been reached.

The four companies have agreed to pay their 18th levy in 12-monthly instalments beginning on April 1, and the

balance of the 18th levy liability before the end of May—in advance of a formal assessment.

Since the change in the basis of assessment from preceding to current years' turnover, bookmakers cannot be required to pay their levy until the end of the levy year when

the final turnover is known. Although the big four, and a number of other bookmakers, are already making advance payments on a voluntary basis, legislation—supported by the board, the bookmakers' committee and the Home Office—should shortly be introduced to make advance payments statutory rather than voluntary for all bookmakers.

A year ago Jonjo O'Neill, bidding vainly to retrieve ground lost through injury in the championship race, pulled back a winner on John Franks' come through Stay Quiet in Wetherby's Micklethwaite Hurdle. This afternoon O'Neill—virtually injury free this season—can take the same race through Gremlin Fighter.

This chestnut son of Fighting Ship was one of the most deserving winners of the campaign to date at Carlisle, last time out, for in his 16 races leading up to that victory he

had made the frame on 11 occasions without reaching the winner's enclosure.

Despite a 5 lb penalty incurred through that long-fought win, Gremlin Fighter, aged 4, seems sure to give his backers a fine run for their money.

Anointed ran well enough when third in the Golden Miller Pattern Hurdle at Leicester to suggest that he will land the closing event. Down at Lingfield I shall not be surprised to see Venture To Cognac outpaced by Starlight Lad in the Surrey Novices Chase.

**WETHERBY**  
1.45—Falkely  
2.15—Fair Rambler  
2.45—Gremlin Fighter\*  
3.15—Arctic Aider  
3.45—Jonathan's Choice  
4.15—Anointed\*\*\*  
**LINGFIELD**  
2.00—Haywire  
2.30—Ballytrotter  
3.00—Starlight Lad\*\*

# ENTERTAINMENT GUIDE

Opera and Ballet, Theatres, Cinemas, TV Radio, F.T. Crossword Puzzle No. 4211, Radio Wavelengths, Radio 1, Radio 2, Radio 3, Radio 4, Radio 5, Radio 6, Radio 7, Radio 8, Radio 9, Radio 10, Radio 11, Radio 12, Radio 13, Radio 14, Radio 15, Radio 16, Radio 17, Radio 18, Radio 19, Radio 20, Radio 21, Radio 22, Radio 23, Radio 24, Radio 25, Radio 26, Radio 27, Radio 28, Radio 29, Radio 30, Radio 31, Radio 32, Radio 33, Radio 34, Radio 35, Radio 36, Radio 37, Radio 38, Radio 39, Radio 40, Radio 41, Radio 42, Radio 43, Radio 44, Radio 45, Radio 46, Radio 47, Radio 48, Radio 49, Radio 50, Radio 51, Radio 52, Radio 53, Radio 54, Radio 55, Radio 56, Radio 57, Radio 58, Radio 59, Radio 60, Radio 61, Radio 62, Radio 63, Radio 64, Radio 65, Radio 66, Radio 67, Radio 68, Radio 69, Radio 70, Radio 71, Radio 72, Radio 73, Radio 74, Radio 75, Radio 76, Radio 77, Radio 78, Radio 79, Radio 80, Radio 81, Radio 82, Radio 83, Radio 84, Radio 85, Radio 86, Radio 87, Radio 88, Radio 89, Radio 90, Radio 91, Radio 92, Radio 93, Radio 94, Radio 95, Radio 96, 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## THE ARTS

## Radio 3

## Edith Vogel

Edith Vogel is one of the least well-known, perhaps because she has always been also one of the least career-minded, British pianists of the first rank (she is Austrian by birth, but England, for 42 years her home, can justly claim her as its own). She has recorded little, and opportunities to hear her play have not been frequent: until Monday I had known only her name, and that spoken rarely by small but ardent group of admirers. They did not exaggerate. Miss Vogel gave just one work, Beethoven's Hammerklavier sonata, at her BBC lunchtime recital at St. John's, Smith Square; and even played as it was in less than ideal conditions, on an instrument not of her choosing, it was a performance in a thousand.

It was a Hammerklavier of the very greatest clarity, devotion and authority—grandy and securely made, drawn with a marvellous sense of style and balance of voices. There was hardly a weak link in it—a single stray bar in the fugue, brilliantly concealed; the performance was otherwise unfaltering in its command. The view

was sometimes strikingly original, never eccentric—in the first movement more sudden surges and relaxations of tempo than even Schnabel could have conceived of, but none ill-judged, every one to a point. It was a surprise to hear the scherzo phrased, suddenly and unconventionally, in four-bar sections, but wholly convincing; integral to her strange and magical evocation of the movement, fiercely contrasted, the B flat minor section was no more than an echo of soft-spun reverie.

The adagio was powerfully intimate, but combining always grand expression with the most scrupulous clarity: the two immense, six-bar ritornelli that twice bring the music almost to a halt I've never heard realised more effectively, or with more daring. Her fugue, fast and for the most part stunningly accurate, was a massive consummation. Miss Vogel should be judged, on this performance, a very important pianist indeed, and still clearly at the height of her powers: can she be persuaded to give a full-length South Bank recital soon?

DOMINIC GILL

## Elizabeth Hall

## Leipzig Bach

The Leipzig Bach Orchestra can trace its ancestry back into Bach's own lifetime and plays accordingly with a naturalness and intimacy that would never impose an interpretive design upon the listener. In the best sense of the word—and a Bachian sense—they are work-mans, conveying unaffected pleasure in the sheer business of making Bach's music move along its elegant, hurrying way. Since the essence of baroque style is continuity itself, the approach was perfectly satisfying.

The all-Bach programme began with the Suite No. 1 in C, leader Gerhard Bossé, to conduct the *Ourebourgs* with his hands wildly gesticulating—rather than from the fiddle as throughout the remainder of the concert. He did ensure, however, a mellow, even brooding account of the music. The dance movements followed with an élan so responsive to the various changes of rhythm as to make one think afresh how marvellous this formal conception can be. In the *Harpischord Concerto No. 1* (D minor) that came next, the buoyant outer declaratory movements benefited in the same way (though the soloist should have been more forward in the opening one). But some

inability of this ensemble to take full measure of slow movements first appeared in the Adagio. Hannes Kästner's decorations of the grave ground, theme lacked finesse and thoughtfulness.

Then in the two Brandenburgs—nos 5 and 2—that made up the second half, the central concertino meditations noticeably fell short of Bach's suave inventiveness and poignancy. The performance of the fifth was undistinguished in any case, workmanship giving way to pedestrianism here. Bossé's violin playing had nicely judged rhythm and vibrato but Heinz Hirsche's flute was lacklustre, and often frankly out of tune. Kästner commenced the harpsichord cadenza promisingly (and, rightly, without any upbeat pause) but rather lost energy and sparkle by the end of its sixty-five bars extent. With the introduction of Herbert Benkert's shining, accurate high-altitude trumpet in the smaller-limbed second concerto, the civilised discipline of the group once more began to vindicate itself—sufficiently for the nimble double-fugue finale to be scintillating crown to the evening, deservedly encored.

PAUL DRIVER

## Wigmore Hall

## Csaba Onczay

It's a brave, confident cellist who chooses to make his London debut without the comforting presence of an accompanying pianist and in three of the most demanding works of the solo cello's repertory. Csaba Onczay is now 33, born in Budapest and a product of the Liszt Academy there, and the Moscow Conservatory. In 1974 he won the Casals International Competition. His programme of Bach and Kodaly at the Wigmore Hall on Monday night was almost entirely triumphant. "He is a fully mature, commanding artist; more the pity that we have had to wait until now to hear him."

The pair of Bach cello suites he selected were the C major and D major. Bold outlines and a hefty, virile tone carried Mr. Onczay through almost all the pitfalls. The prelude of the D major could not quite maintain the surging momentum with which it began. A string tone in extreme niceties and ornaments were sometimes sacrificed to line and expres-

sion; but these were insignificant shortcomings in the context of playing of considerable dominance. Both sarabandes brought out the greatest intensity; the gigues were rock solid, every clear-cut rhythmic shape seized upon with keenly communicated relish.

Mr. Onczay has, I am sure, played the Kodaly sonata for solo cello for many years. Young Hungarian cellists must cut their teeth upon it. It remains, however, a difficult work to bring off: intensely rhapsodic and demanding a technical competence that cannot be taken for granted even by seasoned performers. It was played superbly. The first movement was encompassed in a single arcing span, the Adagio most perfectly pivoted on its throbbing pizzicati. The most stunning virtuosity of the evening was reserved for the finale, taken at an extreme *molto ritardando*: each paragraph tightly bounded, the effect was earthy, entirely Hungarian.

ANDREW CLEMENTS



Dominic Letts and Renu Setna

## Young Vic

## Trial Run

by MICHAEL COVENEY

In his powerful *Class Enemy*, Nigel Williams introduced a bunch of abandoned schoolboys imposing their own hierarchical system on an anarchic classroom. His new play follows a similar format, only this time we are in a Woolworth's basement where a couple of gun-toting Asians are pinning a group of hostages to the packing cases prior to reconstituting a code of justice. The group comprises two shop girls, a feckless security guard and a reasonable, even sympathetic, student. Each hostage is allowed his say, although, just as Iron ran *Class Enemy*, so the articulate, elder Indian, Renu, controls the debate despite angry outbursts from his colleague Gange.

Gange has been through the Barnet courts after the Southall riots and has served three months for assaulting a police officer. Gange wants that officer in exchange for the hostages. His name was Carter. We do not, however, get Carter, but an under-sized, policeman, "a Christmas decoration," who offers himself in the role of victim.

Nicolas Kent's production for the Oxford Playhouse Company does not give off heat sufficient to disguise the script's implausibilities. Why, for instance, have these two Indians, long after the events of Southall, descended on a Hounslow shop? The girls are said to work on the rights counter, but it is years since Woolworth's had staff serving on

specific counters: you help your self and check in at a cash desk. The student seems to be a figure of fun, with his soft talk of wanting to understand, but is then saddled with a predictable speech on the rationale of terrorist activity. If Renu is not, after all, a learned graduate of the LSE, are we still to believe that his wife and children are locked up by immigration officers at Heathrow?

Although Renu employs irony as his chief weapon—he wants, he says, to keep Pentonville white—and dismisses the claims to ignorance of the shop girls and the security guard as a symptom of an unjust society, you nonetheless feel that everyone in the room is really on the same side. Certainly there is little in the evening to convey what it must actually feel like to be held at gunpoint for hours on end. Does no-one want to go to the toilet?

The best bits of the play concentrate on the fall-out between the two aggressors, strongly played by the taunting, dapper Renu Setna and the lean, featured Art Malik (who sprays the stage with a nervous energy the part does not always supply); and on the comic fantasy speeches, such as the one about heavily armoured Special Patrol officers jumping a suspect in a remote dingle nook. At the end, before the inevitable shoot-out, Kim Clifford scores as a suddenly pert denizen of the shop floor who just does not want to know.

## Lyric Studio, Hammersmith

## Doctor Faustus

Marlowe's *Faustus* is a difficult play combining a true philosophy with a curiously naive idea of what can be done with power when you have it. It is immensely exciting up to the visit of Lucifer to Faustus's chamber. But when Faustus's more elaborate requirements are met, in Rome, at the Emperor's court and so on, the play can seem childish.

This excellent production under Christopher Fettes is set in a mood that integrates the serious concern with sin and damnation and the simplicity of the central scenes, and so the central scenes retain something of the serious character of the beginning and end. There are comic touches even in the most earnest moments, and they work

are more than mere slideshows: they are made to illustrate the thoughts of those at the play's heart, and when the play's heart and devil come, who should they be but Helen, Alexander and the rest.

Despite the few resources available in this little theatre, I liked the production more than any I have seen before. It is set in a room containing only a long table with chairs and forms around it, with an inner stage covered by a transparent traverse where other-worldly scenes may be disclosed.

The small, all-male cast conjure up the pictures by their admirable speaking of Marlowe's splendid poetry. They are helped by endless ingenious ideas. The good and evil angels (John Somerville and Simon Cutler) are fellow-students at the table with Faustus, and their voices seem like disembodied thoughts in his head. When the boy Robin (Mr. Cutler again) tries his hand at magic, there is a sound of off-stage weeping.

The two main parts are splendidly played. James Aubrey is a romantic young Faustus, curly-haired and dark-bearded, and though at his heights he never shows quite the arrogance that Faustus's deeds suggest, he is excellent in the early parts and superb in the marvellous final scene. Mephostophiles is Patrick Magee, his deep vibrant voice emerging with gentle intransigence from the dignified figure of a grey-haired old friar.

Other parts are shared by Garry Cooper, Roger Frost, James Griffin and those I have named already. They all wear long black Wittenberg students' coats, but Faustus has modern clothes on underneath, and there are various suggestions that the play is taking place as much in our time as in any other. Only one of them displeased me, the recorded astronauts' voices that sound over, and spoil, the magical final lines.

B. A. YOUNG

## Television

## Anything for a laugh

by CHRIS DUNKLEY

British television comedy and light entertainment has slid into one of its troughs. Perhaps we shall have another batch of *Not The Nine O'Clock News* soon. Maybe Clement and le Frenais will come back with something as funny as *Porridge*. After their sensibly extended absence from the box *The Two Ronnies* might return with fresh ideas to replace their successful but lately repetitive formula.

Meanwhile, though, if relaxation and a laugh is what you want from television, you will have to endure material which is in most instances markedly second rate and occasionally utter dire. In the particular case of *Rushton's Illustrated*, the only decent thing to do is say just once that it is a disaster which should never have got as far as the public screen and leave it at that. Decency being out of fashion, one might add that the only other comedy series as bad as the 1971 production *Where Do I Sit?* which, interestingly, was built around another of the original Private Eye Establishment gang—Peter Cook. That series is famous for having been axed half-way through; one hopes *ATV* will be as merciful now.

Looking around at all the comedians who (presumably) would dearly like to fill the enormous gap in the public's loyalty and affection which is still being left vacant by *Morecambe and Wise*, what seems so striking is that none of the aspirants has any stature. Actually, of course, with comedy *there is always one who has rather a lot of it*. Put it another way: they just don't seem to have any bottom. Oh well, Benny Hill had to be brought in somehow.

At least one can say for Mr. Hill that he appears to know his own limitations, doesn't aspire to anything more than large ratings (hello sailor) and rations his appearances very strictly. The result is that each time he appears after a longish absence one has forgotten exactly how weak and repetitive his material is. So one has another look—at the show put out by Thames a couple of weeks ago, for instance—and promptly remembers.

"He lived life with a big L." "Yes and sometimes he suffered pain with a big P." It would be just possible to retain some respect for a comedian who insisted on operating at this pre-school playground level of pees and pochs if he did so with the panache and openness of, say, a Max Miller challenging you to look at the dirt in your own mind if it is there. Unhappily Hill's stock in trade is the side-long snigger and the hint that in his mind everything is filthier than you could possibly imagine.

Unlike Mr. Hill, who is now firmly established in Australia and America as well as Britain, so that a relatively small amount of his material can be made to go a very long way (though not... oh dear, no, mustn't keep thinking in that level) most of the comedians aspiring to the *Morecambe and Wise* crowns are in a dilemma. Unless they appear pretty regularly the public may hardly notice them. But if they appear often they can over expose themselves—er, that is to say

they can use up what would once have been a lifetime's supply of material for small and variety audiences in a single season of television's mass audiences.

Yet there is of course much more than fears of that sort behind the failure to re-fill the thrones. Looking at the shortcomings of the current series, you realise how numerous and various were the strengths of the *Morecambe and Wise* Show. Watching the *Jim Davidson Show* you recall how Eric Morecambe sometimes laughs at his own jokes, but always in a mannered and self-mocking way, never in an overt attempt like Davidson's to orchestrate the audience. It's all right, sir, remain seated, the word was orchestrate.

*Lennie and Jerry*, who start a new series on BBC 1 tomorrow night, are among the leading contenders for the vacant title (which, incidentally, can only be considered vacant if you categorise *The Two Ronnies* as slightly different from stand-up comedians—sit-down comedians, perhaps). But *Lennie and Jerry* do not complement one another with the knife-and-fork neatness of *Morecambe and Wise*.

Watching *Little And Large* on BBC1 you remember how polished the writing was on the *M and W* Show even for the most straightforward patter, and once again you recall the seamless unity of their double act. With *Little And Large* the impression of an old fashioned stage act is not only unavoidable, it is positively emphasised. The best thing about Saturday's

opening episode was "Foxy Feeling," a troupe of erogenous young ladies who sing and dance dressed in silk camiknickers, suspender belts and stockings of various pastel shades, a simple variation on the Can Can or Tiller Girl formula but one which will no doubt keep them in work for as long as they want it (well you know what I mean madam) and make them all very rich.

At this light entertainment end of the business, just three series have a tang of originality. *The Faith Brown Chat Show* has the novelty of a talented woman impressionist yet suffers, like Yarwood's series, from stretching its episodes to about twice their optimum length. *The Kenny Everett Video Show* is just hanging on to its reputation by the skin of its electronic teeth. Least predictable of the three is *It's Paternity Obsession*. Anyone who watched the original series about obscure machines might be a little surprised at the chance which has been wrought: Julian Pettifer still controls the proceedings, just about, but there are now two panels of guests instead of one, the set has been jazzed up with one of those fairground lighting effects so beloved of Light Entertainment designers, and guests are expected to be funny. Alfred Marks certainly was.

Which is more than can be said for most of the situation comedies around always excepting *Snap* which is still leaving all British efforts standing, and *M.A.S.H.* which even in its dotage manages to provide half

a dozen lines every week, usually for Klineer, the malingering transsexual, that make the home product sound like edited versions of *The Acme Book Of Party Quips*. The trouble is that nobody in Britain appears to be even trying yet to break away from the tediously over-reactionary orthodoxy of the seventies in which all men are scatty, effeminate and impotent and all women brassy, dominant and sexually dissatisfied.

In *Terence Brady and Charlotte Bingham's Pig In The Middle* which is by quite a wide margin, the best of the bad lot which started this season, the sappy male is named Party and is played by *Dinah Shore* in the arms of a person the tediously over-reactionary orthodoxy of the seventies in which all men are scatty, effeminate and impotent and all women brassy, dominant and sexually dissatisfied.

Brian Cooke's *Keep It In The Family* pushes the equation even further. The diminutive paterfamilias, earning his living drawing strip cartoons of cuddly animals, is perpetually out-smarted not by one, not by two, but by three women: his wife and two teenage daughters. In *Watch The Space* Liz Goddard (somewhat confusingly *Barty's* mistress) has to keep on demonstrating her mental, professional, and sexual superiority not only to her husband who works in the same advertising office, but also to her fat, silly, short-sighted boss—male, of course.

At present there seem to be just two gleams of light. *Yes Minister*, which started on Monday, did not actually knock its target flat in the first episode—and, since its target is the double barn door of politicians and civil servants it might have done—yet it did show rare promise of wit and even subtlety. Moreover, the content suggested that its authors, Antony Jay and the industrious Jonathan Lynn, might actually have glanced at *The Crossman Diaries* before starting to write. Naturally it is on BBC2. And the best news is that the last part of *The Fall And Rise Of Ronald Perrie* starts on BBC1 on Friday. Burp. That is a repeat of course.

## ENO's new season

A new opera, *Anna Karenina* by John Hamilton, is one of the highlights of the 1980-81 season at the Coliseum, which was revealed yesterday. In all there will be six new productions and *Anna Karenina*, with Lois McDonnell in the title role, will be the last, opening on May 7, 1981.

Earlier, on September 24, there will be the first new production for 20 years of *Cost Fan Tasia*. Then comes *Arabella* by Strauss, Boris Godunov by Musorgsky, *Roméo and Juliet* by Gounod; and, with a premiere on February 11, 1981, *Pelléas and Mélisande*, conducted by Sir Charles Groves.



Benny Hill in a sketch from his show to be broadcast next Wednesday

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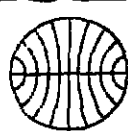
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James Aubrey

well, for instance, when Mephostophiles first appears (as a Devil) he wears a funny hat and is accompanied by the music of the Golden Calf song from Gounod's opera. So later, when the Pope appears in the person of David Rappaport, an actor some 31 ft tall, the joke is not a new clement. Helen and Alexander



## FINANCIAL TIMES

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February 27 1980

## Reviving the docklands

EIGHT SQUARE miles of empty dereliction in the centre of Europe's largest city and most important business centre—London's docklands could provide unequalled opportunities for planners, architects, investors and developers. Next month, 15 huge development schemes proposed for the 120-acre Surrey Docks site, which was thrown open to international tenders last year, will go on display. Ranging from science research and manufacturing parks, these schemes, typically backed by private capital of £200m or more, give an indication of how much could be achieved in the docklands with imaginative and enterprising development.

## Conservation

But instead of imagination and enterprise, the recent history of the docklands has been characterised by obstruction, conservatism and lack of vision. Indeed the very collapse of the docklands economy over the past two decades was partly due to the determination of governments and local authorities to protect the outmoded industry which dominated the area. If the Port of London Authority had been able to get more decisively to streamline the docks, the problems could have been tackled earlier, docks could have been drained and freed for more productive uses, while those that remained would have had better chances of survival. Instead, the docks were condemned to subsidised neglect.

It was not until 1976 that a Strategic Plan was approved for docklands and the immense tasks of rebuilding a modern infrastructure were taken in hand. The six local authorities responsible for the docklands rightly argue that they have achieved more in the past four years than their critics (including Mr. Michael Heseltine) are prepared to acknowledge. Land reclamation and drainage has proceeded on schedule though, with better foresight, much of this could have been completed many years before. Meanwhile the local authorities have bickered among themselves over the routing of vital new roads, have delayed planning decisions to placate political pressure groups, and most importantly, have proved no match for the local landowners.

These landowners are all public bodies, including the Port of London Authority, the British

Gas Corporation, the Electricity Council and British Rail. But they have proved at least as obstructive as the most unscrupulous of private speculators and land hoarders. Until much of the 800 acres they now hold in the area is released, there can be little further progress on industrial development, housing or road building.

In view of this dismal history, it is not surprising that the Government has decided to try an entirely new approach, by handing over control of the docklands to a powerful Urban Development Corporation, headed by Mr. Nigel Brookes, a leading businessman with long experience of property development. Many of the obstacles to the docklands' development could be swept away if the UDC and the Government were to apply commercial, rather than bureaucratic, principles to the problems.

The new UDC should be more aware of the needs of private developers for quick decision making. It will probably be more flexible than its predecessor, the Docklands Joint Committee, in allowing the allocation of land between industry, housing, retailing and other uses to be determined by market forces. It may be as successful as some of the New Town Corporations in attracting foreign investment to the docklands.

## Labour market

But the docklands' biggest problem will not be affected by the establishment of a new administrative body. Large sums of money are still required to build an adequate infrastructure of roads and public transport. Without new roads cut through the congestion of east London, the city's proximity will be a liability, rather than an asset.

The proposals for the Surrey Docks site have almost all underlined the importance of communications: if industry and commerce are to be attracted to the area by the huge markets available for goods and services in London. At the same time, an extension of the underground will be needed to open up London's labour market to the dockland population, and justify the provision of more housing in the area. Even as it cuts current spending, the Government will have to recognise that there are times when productive capital spending must be increased in order to enable the private sector to fulfil its creative role.

## New shekels for old pounds

FEW, if any currencies in the world, can have been devalued to the extent that the Israeli pound has. Over the last decade it has depreciated something like 10 times against the U.S. dollar. In the past year its value has fallen even faster as a result of inflation that was officially calculated at 115 per cent in 1979 and was running at an annual rate of nearly 170 per cent in the last quarter.

In line with its promises of a more liberal economic policy Mr. Menachem Begin's Likud Government decided in October, 1977, to allow the Israeli pound to float. Since then the erosion in the value of the currency has been even more rapid than it was before. But there has not been a corresponding improvement in the competitiveness of Israel's exports, and last year the deficit in the country's balance of payments widened by \$700m to a record \$4.14bn.

## Hoarding

Last week's surprise announcement about the replacement of the pound by the new shekel, which will be exchanged with the old currency unit at a rate of one to 10, is a novel measure though not one without precedent. Twenty years ago a start to France's economic recovery was preceded by President de Gaulle's introduction of the hard franc. That restored some pride in a greatly devalued currency. One immediate aim of the Israeli Government was to reduce hoarding of money that has evaded the tax authorities. Beyond that the move has been calculated to enlist national support in the battle against inflation, not least through reviving the name of the silver coin used in biblical times.

The somewhat mystical aspect of the appeal is characteristic of Mr. Begin's Government but seems unlikely to evoke much response from the public. The initial reaction was not encouraging as investors rushed to change Israeli pounds into foreign currency. For the time being the basic currency unit, with its antiquarian connotations, may look more respectable but the shekel is unlikely to prove any harder than the Israeli pound unless its introduction is accompanied by drastic cuts in public expenditure and a reduction in real disposable incomes which the present Government, like its Labour predecessors, has found impossible to enforce.

Israel's basic economic problem is that it has been living beyond its means. It has been saddled by a disproportionately large burden of military spending that has not been alleviated by the peace treaty with Egypt. Indeed, its short-term difficulties have been increased by the need to relocate Sinai air bases to the Negev. Israel has also had a fundamental commitment to maximum absorption of Jewish immigrants and ensuring that they stay in the country. In practice, it has consistently resorted to printing money as a means of covering expenditure and has been dependent on capital transfers, particularly in the form of U.S. aid, to cover its payments deficits.

Conversion of the currency may be seen as no more than a cosmetic change disguising the bankruptcy of the ideas of a divided and quarrelsome Government. In practice, despite differences with his Cabinet colleagues, Mr. Yigal Hurvitz has since his appointment as Finance Minister four months ago made strenuous efforts to restrain public spending and to reduce the money supply even at the cost of unemployment and the bankruptcy of industrial companies.

## Stagflation

Previous experience must raise doubts as to whether the Government will stick to the limits set. It has balked, meanwhile, at reforming the system whereby wages and benefits are inflation-indexed. The forecast of 70-80 per cent inflation in 1980-81 seems optimistic and the prospects for higher unemployment in a country now gripped by "stagflation" look bad. Israel's economic ills have taken much of the gloss from the peace treaty with Egypt. At this stage it looks as if the failure on this front of the right-wing Likud alliance which leads the governing Coalition will cost it the next election scheduled for next year.



Major General John Acland, commander of the monitoring forces (left) with Rhodesian Army Chief of Staff Major General Derry McIntyre and Zippa commander, General Dumiso Dabengwa (right) patrol the High Acres Rhodesian training camp. Some 600 guerrilla supporters of Mr. Joshua Nkomo have come into the camp eventually to merge with conventionally trained units.

## Acid test in Rhodesia

BY BRIDGET BLOOM IN SALISBURY

WHEN THE Lancaster House conference began in London last September 10, the Press corps opened a book on how long it would last. A minority hazarded that this latest attempt to settle the Rhodesian problem would endure only a few days. Most reporters gave the conference a life of three to six weeks. But all bets were made on the assumption that it would ultimately fail.

Today, as nearly 3m Africans go to the polls in the first real general election Rhodesia has ever had, it is as well to remember how slim a chance most observers, just six months ago, gave the British Government's new Rhodesian initiative. The painstaking negotiations (the conference actually lasted 15 weeks) have been followed by just over two months of an "interim" British administration which has been roundly criticised, sometimes with justification. But less than a year ago, the black guerrilla armies of Mr. Joshua Nkomo and Mr. Robert Mugabe and the white-locked Rhodesian forces were locked in a bitter struggle that had already cost more than 20,000 lives and \$1m (\$680,000) a day. Behind the seven-year war there lay a string of failed settlement attempts. Ahead, it seemed, lay further conflict and destruction.

Against this background, the election, which lasts until Friday, represents a remarkable achievement. The achievement lies in the success of all the parties to the Lancaster House talks—and that includes the war-weary African front-line states which were present in London only as observers—in transferring an increasingly bitter military battle first to the green baize table and then to the polling booth.

But the election and the way in which the campaign has been conducted has also to be seen against a background of violence in Rhodesian society. It results from the guerrilla war, the racial divide, and from the earlier years of nationalist struggle which bitterly set the black political movements one against another. On one level, the violence since Lord Soames took over as Governor in mid-December has been alarming. Despite the ceasefire agreed at Lancaster House, several thousand armed guerrillas remain outside the

## Assassination attempts

A recent spate of assassination attempts and bombings have also marred the campaign. Mr. Robert Mugabe narrowly escaped with his life when a bomb exploded in a road culvert near Fort Victoria airport three weeks ago. A grenade exploded harmlessly against the wall of his Salisbury house early in February. Last week the guerrilla leader cancelled his appearance at scheduled political rallies, after police had found a rocket in the stadium where he was to speak.

Several churches in Salisbury have been bombed and a luxury hotel damaged. The latest incident was in the Midlands town of Gwelo, where a printing press for the pro-nationalist Catholic newspaper, *Moto*, was blown up. There have been several bomb or grenade attacks on the houses of less prominent politicians, not all of them from guerrilla parties. In the rural areas, as the black auxiliary troops which once formed a private army for Bishop Muzorewa confront Zulu and other supporters of Zanu, there have been abductions and arrests.

Behind this overt violence, there are other forms of what might justifiably be called intimidation: whether it be in the form of Zulu guerrillas insist-

ing to rural Africans that the war will go on, or that they will be shot unless they vote for Mr. Mugabe; or whether it is the sort of "dirty tricks" campaign which is clearly anti-Zanu and could well be government inspired.

It may be noteworthy in this connection that neither the Rhodesian Special Branch nor the feared commando units of the Rhodesian Army known as the Selous Scouts are being monitored by the British-commanded Commonwealth monitoring force.

The police have refused to comment, but there is evidence to suggest that the Scouts were responsible for the Salisbury church bombings (in order to blame Mr. Mugabe's party for anti-religious behaviour), while the Special Branch is charged with the arrest of a nationalist produced a fake edition of *Moto* newspaper scurrilously attacking Mr. Mugabe. It is also alleged that the Special Branch could have been responsible for campaign leaflets dropped from aircraft over much of the country, spelling out the dire consequences of a Marxist Government.

While these factors have made the campaign less than free and fair in any western parliamentary sense, there is another level at which the violence does not appear to have had any appreciable effect on voters or their way of life. This is particularly true, it seems, in the towns: an outsider finds it much more difficult to gauge the extent and effect of intimidation in the tribal trust lands, where most Africans still live.

Mr. Joshua Nkomo arrived in Gwelo literally hours after the *Moto* Press and two men—apparently the bombers—were horribly blown up. He gave his Press conference in the Fairmile Hotel with security no tighter than it had been at earlier meetings. The crowd, which he later addressed in the Ascot Stadium was, like him, in happy and relaxed mood. The huge election rallies which Mr. Nkomo, Mr. Mugabe and Bishop Muzorewa have all held have, considering their size, been surprisingly orderly. They have not been disrupted by political opponents. In the towns at least there has been a very considerable degree of political tolerance.

Last week in Rusape, a small town in eastern Rhodesia,

groups of supporters, wearing the favours of four of the main political parties, were to be seen all treating each other with perfect good will, within the space of 20 minutes and 100 yards. That scene, as much as the forced bussing, the arrests and threats, is also part of the election campaign.

Could Lord Soames have done more to make the campaign freer and fairer? Many people here, and most particularly the guerrilla parties, believe that he could. There is some truth to this view, not least because the Lancaster House agreements condemned the Governor and his small band of officials to work through the existing Rhodesian civil service, police and armed forces.

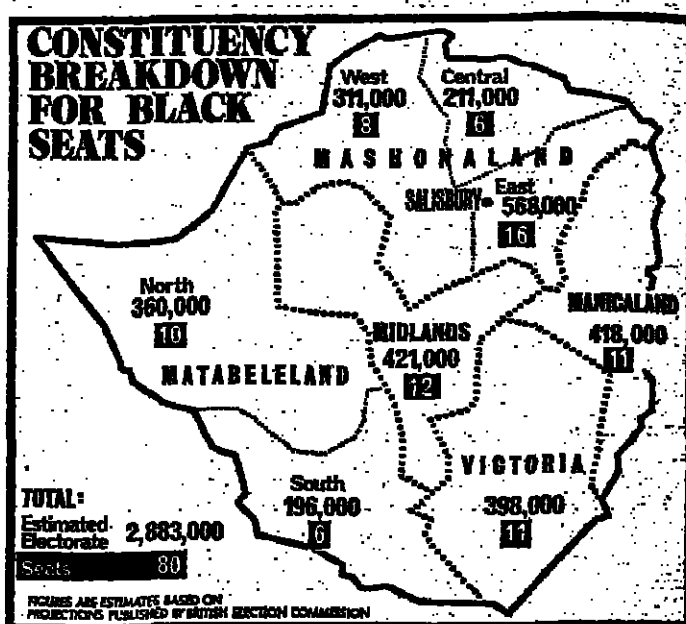
There is no doubt that individual white Rhodesians fear the advent of a nationalist Government, particularly one led by Mr. Mugabe. These prejudices inspired actions taken by the administration ranging from the relatively piffling of depriving Zanu of telephones to the much more serious arrests of party officials often on very slim pretences.

It is cogently argued that Lord Soames and his officials could have done more to be even handed had they not early on given way to pressure from Rhodesian authorities on security questions, in particular. But it should also be remembered that the Governor and his team represent a British Conservative Government which would much prefer not to see Mr. Mugabe win.

## Guide to black thinking

But even given bias against the so-called revolutionary parties, most observers here who have some knowledge of Rhodesia believe that this week's vote will be a rough and ready guide to what black Rhodesians actually think. Despite intimidation of all sorts, it seems probable that the average black Rhodesian does actually believe his vote is secret, and will thus vote as he wants. Some critics may not be still even if that proved to be the conclusion drawn by many of the international observers.

There is surprise here that President Nyerere of Tanzania



## Cost to UK taxpayer

Somewhat more basic, but as important in the short term, are the plans to place Rhodesian soldiers and police in the assembly camps. The election results are announced—hostages to the good behaviour of both sides, since the guerrillas already have their own liaison officers with the Rhodesian forces.

What would happen if there were to be a Patriotic Front alliance and Mr. Mugabe, as he has promised, asked Britain to let the monitoring force stay on in Rhodesia "for at least four to six months" in the interests of stability and reconciliation in this key part of southern Africa? The settlement exercise has probably so far cost the British taxpayer at least £50m—against the £3.5m talked of at Lancaster House. But could Mrs. Thatcher's Government, given the political investment already made, refuse such a request?

The stakes are high. The problems enormous. One of the British "monitoring" force colonels I spoke to earlier this week struck an optimistic note: "The problems have looked insurmountable at almost every stage in this exercise," he said, "but somehow when you get to them, they don't seem so fearsome." Against the background of violence, that optimism, as he recognised, could well prove misplaced. But at least the election is being held today and that is a lot more than we all thought possible a few short months ago.

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## MEN AND MATTERS

## Chirpy Robin makes the grade

I would not be at all surprised if early yesterday the porters at Billingsgate fish market heard Nightingales singing in nearby Lovat Lane. That is the home of investment banker and pioneer of the over-the-counter securities market in Britain, M. J. H. Nightingale. The firm has cause to celebrate in that it and its fellow licensed dealers in securities have finally made the grade and penetrated the fringes of the City's exclusive inner circle.

The firm's managing director, 37-year-old Robin Hodgson, wearing the hat of chairman of the Association of Licensed Dealers in Securities, has been appointed to the distinguished Council for the Securities Industry by the Governor of the Bank of England.

"I see my appointment as bringing the licensed share dealers in from the cold," he tells me. Explaining the two-year delay between establishment of the Council and his acceptance as the last member, he says firms like his had not had a "good press" in the past. "We had to show we were putting our house in order and have been on probation for a period of months." The establishment also sought to be convinced that the fledgling association—founded last July—was going to take on board most of the licensed dealers handling over-the-counter trade. From among the 300 or so licence holders around the fringes of the City, the ALDS has already attracted 60 members and claims to have 25 more applications in hand. Hodgson says of the total only about 120 are active and calculates that with 100 members his association will have enrolled most of those not already covered by some other organisation's umbrella.

The ALDS, however, which held its first formal meeting on Monday, has still to decide if it will establish a compensation fund like the Stock Exchange's,



"Just remember, it is more blessed to give than to receive"

to help investors should any of its members run into the financial mire. Hodgson's view looks hardly promising. There have been talks, but he is not sure there is enough "commonality of interest". Aside from his dealings in the City, Hodgson is currently writing a novel based on corruption and looks forward to the next General Election. He hopes to win back a seat in the Commons following his election last May by the Walsall North electorate. I doubt, however, that he will be keen to return to that particular constituency. In the run-up to the by-election poll in 1976 he was heard to remark: "If I win Walsall, I think I shall ask for a recount."

## Turning the tables

Omar Sharif, the bridge king and heart throb of the aging film-goer, is moving into a new line of business—casinos. Sharif is the genius behind a group of businessmen who have obtained the franchise for the casino at Trouville, the Normandy seaside resort.

Sharif says he intends to introduce American-style gambling to said Trouville; he considers the terms of the agreement with the town's municipality "excellent," adding "the laid down such easy conditions that we are running almost no risk at all." He sees running a casino as a kind of therapy for his own gambling fever—casino operators in France are not allowed to roll the dice on their own premises. However, Deauville's casino is only a few miles down the coast so he may still be exposed to the temptations of the wrong side of the table.

Sharif's casino is only a few miles down the coast so he may still be exposed to the temptations of the wrong side of the table.

## Small beer?

Perhaps it is something they put in their beer, but considering they are fighting for their very existence, it seems to me that Britain's small-scale brewers are adopting a distinctly equivocal attitude towards the giant industrial combines which dominate the beer business. In one breath Peter Austin, founder of the 40-strong Small Independent Brewers' Association, tells me he is on the best of terms with the big boys' representatives at the Brewers' Society; in the next he confides about his schemes to give them a going-over in the political arena.

He plans to lobby consumer minister Sally Oppenheim and possibly the Common Market authorities with his complaint that SIBA's members are unable to compete freely in the beer business.

"The tied house system means for a start that 75 to 80 per cent of all pubs are barred to us. Now we find the brewers are gradually stitching up the so-called free houses, too," he says. Taking a break from the cash-washing routine in his brewery at Ringwood, Hampshire, he explains that free house publicans who can buy where they choose, are being offered low-interest loans by large brewers on condition that they agree to sell set quantities of their beers. "Considering that a company

## Sounds peculiar

Already backing in an alarming way, Michael Edwards' Buy British campaign has slipped a gasket uncomfortably close to home. Launching his "eight new audio products" to satisfy every discerning listener's requirement, Unipart, part of the sprawling BL organisation, is curiously inscrutable about where these prestige items are being made.

"Why do you want to know?" asked a suspicious voice at mission control in Oxford. After much coaxing, it was volunteered that the radios were "sourced" to a major British manufacturer, and the rest to France and Germany.

"When you are in a situation when you have concern for quality, price and development," said the hapless voice in Oxford, "you have to commission a number of sources for particular products, depending on what were the product specifications. . . . It just so happens that basically the reason it has turned out that way, er. . . ."

The major British manufacturer, it turns out, is the Illinois-based company Motorola. "source" in Europe turns out to be Philips. Quite why Unipart/BL should be so embarrassed is hard to imagine, since British manufacturers of these products are rather thin on the ground.

## Southern view

Car sticker sighted in Georgia: "Drive at 90 and make a Yankee freeze in the dark."

Observer



# A wayward way with the Community

BY IAN DAVIDSON

LORD CARRINGTON, the British Foreign Secretary, has brought off a minor public relations coup by uniting the Foreign Ministers of the European Community around his proposal for the internationally guaranteed neutrality of Afghanistan.

It was a coup because Western European reactions to the Soviet invasion of Afghanistan had hitherto been conspicuous for their diversity. Official exponents of the British view of the European Community also claim that it confirms the judgement that the co-ordination of foreign policy between the member States has been one of the most successful features of the Community in recent years, and one, moreover, in which Britain has an important and constructive part to play.

On the economic side of the European Community there is much less for the British to crow about. Since last summer the Government has been demanding an immediate rectification of the financial arrangements by which Britain has become by far the largest net contributor to the Community budget, despite the fact that it is the third poorest country in the EEC, in terms of GNP per head. This year Britain would be expected to transfer a little over £1.2bn net to the budget, which is nearly twice as much as the West German contribution of nearly £700m. France could expect to make a small net contribution. Every other member State would be a substantial net beneficiary from budget transfers, including Denmark, whose GNP per head is almost twice the British.

British tactics for dealing with this obvious inequity have fallen into two phases until now. Last summer and autumn, and culminating in the EEC summit in Dublin last November,

Mr. Thatcher, the Prime Minister, was demanding in the most strident terms that she wanted the money back. She wanted it there and then, or at least in good time for the 1980-81 budget. Since then the problem has been handled, in more discreet terms, by Sir Ian Gilmour, the Lord Privy Seal, and Lord Carrington's deputy at the Foreign Office. Neither tactic has so far succeeded in producing the result that Mrs. Thatcher wanted.

There are two reasons for Britain's net contribution to the Community budget. The first is that Britain traditionally has done more trade with the outside world, especially with the Commonwealth, than other member states did; and since the budget is funded in the first instance from the revenue from industrial customs duties and agricultural levies on imports from outside the Community, Britain almost inevitably makes a bigger gross contribution to the budget than most other member states.

This part of the problem was foreseen many years ago. In 1975, as part of the notorious "renewal" of the membership terms which were secured by Mr. Edward Heath, Mr. Harold Wilson (as he then was) persuaded the rest of the Community to agree to a new financial mechanism which was designed to ensure that no member would have to make a disproportionate gross contribution to the budget, in relation to its GNP and growth rate. Unfortunately there were additional criteria, including the balance of payments, which have meant that the mechanism has never been activated. In any case the maximum possible refund is £170m, far less than Britain's excess contribution if GNP per head is used as a criterion. In 1980 it would be of the order of £450m.

At the Dublin meeting Mrs. Thatcher secured agreement that the terms of this financial mechanism could be relaxed so as to enable Britain to get a refund of the order of £350m. While the French are putting it about that they are no longer committed to this agreement since Mrs. Thatcher is not prepared to be satisfied with it, it is widely assumed that the £350m will in fact be back on the table at the end of the day.

The trouble is that the problem of gross contributions is only a small part of the explanation for Britain's overall

areas. But though there has been a lot of to-ing and fro-ing and a lot of talking, and though Sir Ian Gilmour's quieter approach seems to have undone some of the psychological damage caused by Mrs. Thatcher's abrasive style, there is no sign as yet of what the trades unions would call "money on the table."

The lightning visit to London on Monday of Herr Helmut Schmidt, the German Chancellor, seems to confirm the point.

Mrs. Thatcher hoped that the Community's spring summit

on its own grounds. President Carter's three-part riposte to the invasion—an imprecise and implausible threat to counter force with force in the region; the cutting off of grain and high technology exports to the Soviet Union; and the exhausting attempt to interdict the holding of the summer Olympics in Moscow—has lacked any constructive proposal which might seem to offer the Russians a dignified way out.

The trouble is that it is virtually inconceivable that the Russians will be interested in looking for a way out. They

it looked as though the French and the Germans had reached a consensus on the right line to take, but Herr Schmidt had scarcely left Paris for Bonn before Mr. Giscard d'Estaing started vacillating. There is absolutely no reason to suppose that last week's Rome meeting of foreign ministers has finally produced a new and stable consensus, though some people in Whitehall claim to perceive a certain convergence of views.

What the Rome meeting did do, was to enable the Nine to agree on a proposal which did not in any way expose their fundamental divergences. It has not, for example, deterred the French from seeking actively to improve their trading position with the Soviet Union in the wake of the curbs placed on U.S. trade by President Carter.

On the budgetary theme, Britain is now resorting to a more melodious voice than it was last year, but the words remain virtually the same, give take the blurring of Mrs. Thatcher's demand for a "broad balance" in British transactions with the Community. The Government continues to insist that the out-turn of the budgetary rules are unacceptable and must be put right, immediately and for good, and as an absolute priority before any other major decisions.

This position is remarkable for its clarity, and for its lack of subtlety. There is, of course, something wrong with a Community which appears to require a relatively poor country to make a significant transfer of resources to other member countries, some of which are much richer. The amount of money involved may be fairly small in relation to Britain's GNP, but even 0.7 per cent is significant for a country

with a below average growth rate, and makes much more difficult the economic convergence which is one of the underlying aims of the Community. If convergence does not occur sooner or later, the Community will not hold together.

What is instructive is how the Government has chosen to confine its attention purely to the final item at the bottom of the profit and loss account, and to declare that this item must be put right — by somebody else. Now it is obvious that the final negative item is the cumulative result of Community policies which Britain can help to shape or reshape. Experience would also suggest that a major amendment to the Community's financial arrangements, in which the benefits to a country have to be met by others, may be more easily handled if it is wrapped up with other issues, or at least placed in a broader context.

## CAP problem

On both counts, the Government position is minimalist. Since the cause of the British problem is the Common Agricultural Policy, and since the Common Agricultural Policy is itself indefensible, it might be more constructive to make an attack on the CAP, as a fall-back position, if it might be constructive to attack that proposition of the costs of the CAP which go to sustain unsaleable food surpluses, and to suggest that those costs should be borne by the countries which produce the surpluses. The British Government rejects this approach because it would take too long, and hopes that a financial reform will induce the other member states to reassess the costs of the CAP.

An alternative approach would

be to seek an expansion of non-agricultural spending, not on ad hoc schemes in the UK, but on Community-wide policies which could also give particular benefit to the UK. Admittedly, such an expansion would have to be very large indeed to cancel Britain's budgetary deficit, and would imply a quantum jump in the Community's contribution, to solving the problem of economic convergence, as well as a corresponding growth in the role of the European Parliament. Again, it might be possible to wrap up the financial problem with the notion of some kind of energy policy, in which Britain would have something to offer and the Community a lot to gain.

The Government's attitude to such ideas is stern. "If other people want to put up ideas of their own," the line runs, "we can't stop them; what we are interested in is the financial problem."

Mrs. Thatcher's Government claims to be committed to the Community, and it is no doubt much more committed than the previous Labour governments. But it is not clear what it thinks it is committed to, or what kind of Community it would like to see. To be sure, much the same might be said of Herr Schmidt and President Giscard, both of whom are ambivalent about the future development of the Community.

But they are even more ambivalent about British plainness, which somehow never seems to go away, even though Britain has been in the Community for over seven years. Perhaps it is time that Lord Carrington—who was in Bonn yesterday—devoted as much thought and persuasiveness to the Community and its place in British foreign policy as he did to the problem of Rhodesia.

## Mrs. Thatcher's Government claims to be committed to the Community but it is not clear what it thinks it is committed to, or what kind of community it would like to see

financial problem with the Community—and the 1975 financial mechanism was only designed to deal with the gross contributions. Much the largest part of Britain's net deficit with the Community budget derives from the fact that 70 per cent of the budget is spent on the common agricultural policy, and since Britain has very little of this spending money ends its way to the UK. If Britain's likely receipts from the budget in 1980 are compared with its GNP per head, the shortfall of receipts would be of the order of £755m.

In Dublin the Commission was asked to examine ways of stepping up Community spending in the UK, and there has been talk of underwriting programmes for investment in the coal industry, in transport infrastructure (including a resuscitated version of the Channel tunnel) and in other

would be brought forward from March to February, but that is obviously not happening. There are some people who begin to suspect that, if the British budgetary problem is to be solved, it may not after all be solved until the following summit, later in the summer.

The contrast between this latest in a long series of internal Community squabbles, and the patriotic ease with which Lord Carrington's plan may be brought forward from March to February, but that is obviously not happening. There are some people who begin to suspect that, if the British budgetary problem is to be solved, it may not after all be solved until the following summit, later in the summer.

Lord Carrington's plan is so far the only Western attempt to meet Soviet self-justification for the invasion of Afghanistan

may have been surprised by the intensity of the hostile reaction from the West as well as from the Third World, and the Afghan tribesmen may yet cause them more problems than they bargained for. But the scale of the Soviet military deployment in Afghanistan does not suggest a half-hearted intervention which could be reversed by a neutralist plan from Western Europe.

In other words, the main merit of Lord Carrington's plan may be that it is virtuous, soothing and safe, and provides a cosmetic cover for the divergences between the European countries. Mrs. Thatcher has been as harsh in condemnation as President Carter. President Giscard d'Estaing has been shifty if not actually sly, and Herr Schmidt has scarcely known where to turn between his need to sustain his Ostpolitik and his need to keep in with the Americans. At one moment

## Letters to the Editor

### Buy British or go bankrupt

From the Chairman, Lingard Industrial Holdings

Sir,—There is no doubt about the vast quantity of imported products that one sees in daily use in whatever walk of life one moves. In fact, it is appalling.

It is equally clear that an examination of our import/export figures reveals that were it not for North Sea oil, the nation would be heading for bankruptcy within a period of months rather than years. It is now up to the decision-makers in Britain today to ensure that this slide stops, and to support Sir Michael Edwards in his Buy-British campaign.

These decision makers, however, are also in many cases responsible for ensuring that the reasons for buying British are catered for when the buyer makes his choice. Everybody, be they a buyer of a consumer durable or the director of purchasing of a large organisation, is looking for quality, competitive price, reliable delivery, good back-up service with adequate supplies of spares, and a generally pleasing and well-engineered design which is in line with current thinking.

Leaders of British industry should ensure that their products meet with these criteria, so that the buyer can genuinely recommend to his principals the benefits of buying British. He should be made to feel guilty if he buys foreign.

It is the responsibility of senior and middle management to rise to this challenge and to lead Britain away from the downhill slide which we have experienced in values, attitudes and standards over the last decade.

One cannot hope to generate confidence and enthusiasm among the work forces of the nation if they don't see this positive attitude to effective management, which has led to the present predicament as the attitudes of the work forces.

I think the Government must devote a great deal of time and effort to promoting these theories, and helping to translate wishful thinking into positive action. They can do this by more active propaganda and honest reporting and accounting.

Let the Government not forget that in whatever walk of life, it is the example set at the top of any organisation, Government body or even household, that sets the tone. Don't let us make the mistake of thinking that the easy answer is to ban imports: this would be a short-term remedy with long-term adverse effects and would certainly not encourage us to our trading partners. There is no easy way out of our dilemma and only a totally responsible attitude by all of us will give us the chance of success.

R. J. Howling, Westminster Road, Warcham, Dorset.

### Forecasting is not all

From the President, National Institute of Economic and Social Research

Sir,—I refer to the report (February 25) on the cuts which the Treasury intends to make in its grant to the National Institute of Economic and Social

Research. I do not at this stage wish to comment on the cuts themselves nor on the supposed reasons, other than the general reduction in public expenditure, which may have inspired them.

But, as president of the Institute, I am very anxious that your readers should not be left with the impression that forecasting is all or even the major part of the Institute's activities. The Institute's "Review" represents generally about half the work of the Institute, and the economic forecasts, though not un-naturally attracting much attention, are only a part of the general work of economic analysis and articles on special topics. The rest of the Institute's work, reflected in a very large number of books and reports on its conferences, is very much concerned with British industry in general as well as with specific studies of industrial and other economic problems.

Roll, 2, Dean Trench Street, Smith Square, SW1.

### Rates of return on sales

From Mr. A. Cox  
Sir,—I suggest that advertisers did better out of the TV strike than the brief conclusions reported from the Masius study (February 21). A "return" of £9m on last sales of £25m represents, at 36 per cent, a higher rate of return on sales than most large advertisers see. With TV rates at their currently high levels my conclusion from the report would be to switch the advertising budget to the money market and take another 17 per cent.

Andrew R. W. Cox, 67 Highlever Road, W10

### Unpaid bills

From the Membership Secretary, Institute of Credit Management, Northumberland and Durham Branch

Sir,—I have a great deal of sympathy with the recent correspondence on the growing tendency for some companies to take extended credit. As the CBI small firms director pointed out, this is particularly harmful to small businesses.

The standard of cash collection across many sectors of industry and commerce, however, leaves much to be desired. In some cases it is not surprising that customers do not pay their accounts on time. Some of the reasons for late payment are indicative of a lack of professionalism by both sales and credit managers.

Sometimes the salesman conveniently forgets to mention payment terms when he finalises the sale. Where the order is subject to a special bonus or introductory price, the details are not passed on to the accounts department. Hence the final invoice is wrong. The accounts department invoices the customer for goods not actually delivered. Statements and collection letters are either not sent out, or only issued when the account is well overdue — shutting the stable door when the horse has bolted. All heaven-sent opportunities for customers to delay payment. A survey showed that manufacturing industries are extending 62 days' credit — in many cases these companies state that their payment terms are 30 days net.

The cost of financing this extra month's credit is high and reduces the already tight profit margins in the UK. The initiative is, in my view, with the credit manager. Appeals to companies to pay their accounts earlier are all very well, but there is no substitute for professional management! R. G. Pestell, 5, The Chesters, Whitley Bay, Tyne and Wear.

margins in the UK.

The initiative is, in my view, with the credit manager. Appeals to companies to pay their accounts earlier are all very well, but there is no substitute for professional management!

R. G. Pestell, 5, The Chesters, Whitley Bay, Tyne and Wear.

### Eurodollar bond market

From the Executive Director, Citicorp International Bank

Sir,—There is a frequently expressed criticism of the secondary market in Eurodollar bonds which argues that in periods of distress many market makers widen spreads and one sees unwillingness to deal two ways. On February 18, the United States Government, Market experienced distress, and dealers in what is recognised as the most liquid market, widened spreads particularly in longer maturities. Trading size seems to have diminished as well. A larger than normal number of transactions were only taken on an order basis. Major market makers in the Eurodollar Bond Market, including ourselves, maintained their spreads and willingness to deal. However, occasional widening of spreads may indicate a will to survive and not structurally faulted markets. Jerome Goldstein, PO Box 242, 335, Strand WC2.

### Average annual return

From Mr. D. Girmes  
Sir,—In their letter (Feb. 18), Dr. Dimson and Dr. Marsh emphasise the importance of introducing modern portfolio techniques into the UK. With that I fully agree. I am arguing only that the characteristics of share price movements are rather more complicated than is sometimes suggested. Returning to the risk and return graph which is under discussion, and looking at the points on the graph which refer to the geometric averages, it should be noted that there are two steps in the trend of the long-term return/risk relationship. There is a considerable increase of the average return going from low beta portfolios to portfolios with a beta of 1.0. There is extremely little improvement of average return (only about 0.2 per cent on average) when increasing the beta value from 1.0 to 1.5 (This points, incidentally, to the risk and return attractions of an index-matched portfolio which has a beta equal to 1). In their

### Non-executive directors

From Mr. F. Tuckman, MEP  
Sir,—Mr. Drum (February 22) opposes the idea of non-executive directors with a brief distinction between them and executive colleagues. He argues from the state of existing law, which may no longer be fully adequate.

Groups of people, working closely together, develop an identity of view, which can be fine for harmony but bad for survival. The role of the outsider is to recognise that the Emperor has no clothes and insist that something be done about it. Rolls-Royce and AEC both ignored the financial dimension of their posture and went bankrupt or were taken over. A large number of major

paper Sharpe and Cooper acknowledge this fact by pointing out that the portfolio with a beta of 1.24 performed best. The second best performance was by the portfolio with a beta of 0.98! If a statistically valid overall trend for these figures is desired, the data must be weighted, as this is done, my original (virtually horizontal line) is obtained.

The practical conclusion is that for long-term investments it seems to pay to avoid low beta portfolios. The essence of the beta discussion, however, has usually been about the increased benefits obtained from high beta portfolios when attempting to beat the market consistently. This assumption is not supported by this evidence. Further evidence, especially in the context of the London market, is highly desirable.

At the same time, investors do seek higher returns from higher betas as I suggested in my earlier letter, in the sense that when they attempt to judge the timing of markets they will seek higher returns in bull markets by choosing higher beta shares. I did not suggest that betas could be used as a method of market timing, only that investors who are able to do market timing can make use of betas. D. H. Girmes, Department of Statistical Science, University College London, Gower Street, WC1.

### Market raids

From Mr. R. Instone  
Sir,—It is not to be supposed that the market raid by De Beers on Consolidated Goldfields—whereby institutional investors were for a brief period enabled to sell on preferential terms—was accomplished without the use of the telephone. Yet the chairman of the Council for the Securities Industry is reported (February 22) as informing the National Association of Pension Funds that "such moves were entirely within the legal code." If this is indeed his opinion, he should glance at Rule 6 of the Licensed Dealers (Conduct of Business) Rules, to which exempted dealers are also supposed to conform. That rule prohibits any deal in securities in consequence of an unsolicited telephone call. Is it really impracticable for the CBI and the Council of the Stock Exchange to require compliance with this rule, at least in cases of privileged dealing? Ralph Instone, 7, New Square, Lincoln's Inn, WC2.

## GENERAL

UK: Mr. David Howell, Energy Secretary, speaks at National Farmers' Union growers conference, Harrogate.

TUC general council meets, London.

Sir Peter Parker, British Rail chairman, speaks at Junior Chamber of Commerce for London lunch, Mansion House.

Dr. A. W. Pearce, Esso Petroleum chairman, addresses a Carlton Club political committee lunch.

Ladbroke Group appeal for gaming licences for three casinos opens in the High Court. National Union of Teachers members strike in Leicestershire. Sir David McNeel, Metropolitan

Police Commissioner, speaks at Foreign Press Association lunch, London.

Mr. Roy Woodward, Alcan Aluminium head of research, lectures on some future uses of aluminium, Institution of Mechanical Engineers.

Overseas: Voting for 80 black seats starts in Rhodesia (until February 29).

Organisation for Economic Co-operation and Development, two-day symposium opens on steel industry in the 1980s, Paris. Mr. Michael O'Kennedy, Irish Finance Minister, presents his Budget, Dublin.

## Today's Events

First world congress of Indians from Sioux, Apache, Navajo and south and central American tribes, Cuzco, Peru.

PARLIAMENTARY BUSINESS  
House of Commons: Companies Bill, remaining stages.

House of Lords: Debate on Finance Bill. Report Short debate on cathedrals.

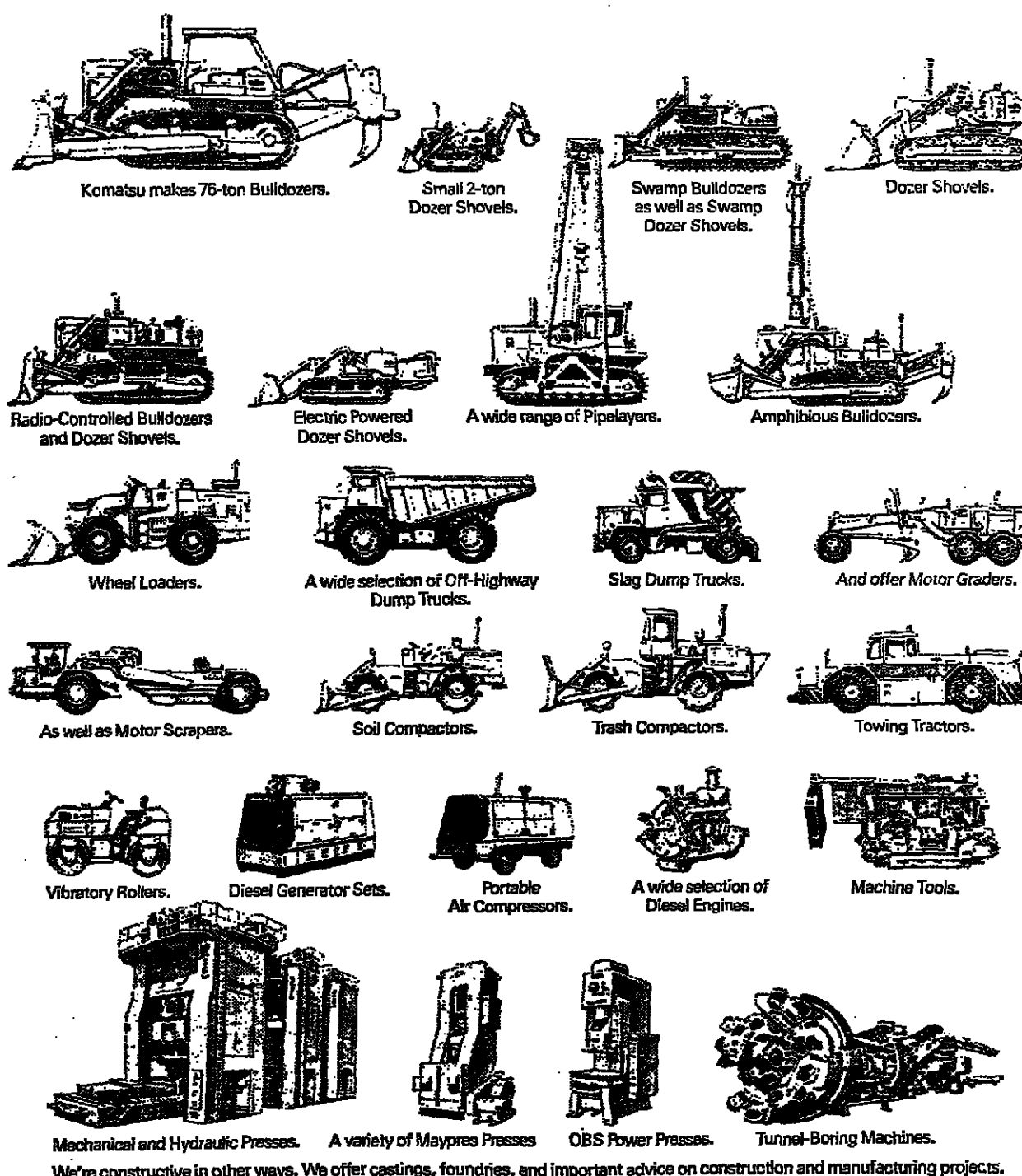
Select Committees: Education, Energy, Foreign Affairs, Industry and Trade, Transport, and Employment Select Committees meet.

COMPANY MEETINGS  
Associated Sprayers, Plume

Street, Birmingham, 12. BOC International, Lyric Theatre, Hamersmith, King Street, W. 3. M and G Dual Trust, Three Quays, Tower Hill, EC. 2.15. J. F. Nash, Birmingham Chamber of Commerce, Harborne Road, Birmingham 12. Silverthorne, Queens Hotel, Cliftonham, Gloucestershire, 3.30. Unichrome International, Queens Hotel, Cliftonham, Gloucestershire, 3.15.

COMPANY RESULTS  
Final dividends: Allen Harvey and Ross, General Accident Fire and Legal Assurance, Moorside Trust, Interim dividends: BPM Holdings, Brown Brothers Corporation.

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NatWest tops £440m and raises dividend by 30.5%

IMI over £34.5m after late rally

CU profit 3% off after £21m underwriting loss

WITH SECOND-HALF profits at a similar level to those of the first six months, National Westminster Bank expanded pre-tax profits for 1979 by 44 per cent to £440.7m compared with a restated £305.7m previously.

First-half profits had jumped from £199m to £220.6m, but the board then warned that the second-half result might not match that of the first period. In the event, profits in the final six months reached £220.9m (£186.7m).

With stated after-tax earnings per £1 share well ahead at 141.8p (£2.6p), final dividend of 10.25p lifts the total payment from 12.5325p to 17.5p net, equivalent to a rise of 30.5 per cent at the gross level.

Mr. Robin Leigh-Pemberton, the chairman, says that largely as a result of record interest rates during the year, the domestic banking contribution has grown by 67 per cent and accounts for 69 per cent of total group performance.

International banking has taken its contribution past the £100m mark in sterling terms—some 22 per cent of the total. Despite steadily tightening market conditions, it has expanded its activities without slackening its risk criteria.

Referring to last year's acquisition of National Bank of North America, the chairman says that although its first year's results showed a modest decline over 1978, he is happy with the way this acquisition and its integration into the group's management pattern are developing.

The related banking services contribution has been maintained at 9 per cent, despite the adverse impact of interest rates on the performance of Lombard North Central.

Mr. Leigh-Pemberton says the group expects to see a decline in interest rates during the year, but the recessionary forces work through the economy, and it does not, therefore, look for a continuance of historic cost profits at the level seen this time.

The group is seeking to reduce its dependency on fluctuating interest rates in the UK and there are factors in the composition of profits which compensate, to some extent, for the impact

**HIGHLIGHTS**

National Westminster Bank has duly produced a substantial profits increase for 1979 though its figures are not quite as sparkling as Lloyds last week. Lex looks at the second half trends and elsewhere, with the industrial results season getting under way, discusses the small profits rise at IMI. Profits have come under pressure at Commercial Union where a modest decline last year is due to a sharp setback in underwriting results. Finally Lex looks at Cluff Oil, which is exploiting the high degree of enthusiasm for second line energy stocks to launch a rights issue. On the inside pages textile group Vantona notches up a useful profits advance and Metaltrax has produced a gain of a fifth despite industrial problems, but Peter Brotherhood reports a further loss.

Of a substantial fall in domestic profits, he adds.

On a CCA basis, pre-tax profits are £285m (£243m), after adjustments for monetary working capital £189m (£69m), additional depreciation £8m (same), less gearing of £49m (£18m). Share of current cost and gearing adjustments of associates was £8m (£4m).

The group's provision for bad and doubtful debts rose from £239.1m at the beginning of the year to £266.4m at December 31. Of these, specific debts accounted for £175.3m (£165.8m) and non-specific £91.1m (£73.3m). Reserves increased from £1,099m to £1,310m at the year-end. Shareholders funds reached £1,550m.

	1979	1978
Banks and subs.	447.1	303.7
Associates share	15.5	15.5
Profit-sharing scheme	21.1	13.5
Profit before tax	441.5	336.7
Ordinary interest	112.3	115.9
Net profit	329.2	199.8
Subs. minorities	1.5	2.2
Bank and profit divs.	0.7	0.7
Extraord. ordins.	3.1	10.5
Attrib. to ord.	330.4	188.4
Ordinary interest	16.8	12.9
Proposed final	24.0	16.2
Retained	289.3	157.3

Michael Lafferty writes: The preliminary announcement contains more detailed figures about the bank's bad and doubtful debt provisions for the first time. These show that NatWest wrote off advances totalling £49m last

**IMPROVED** second-half profits following a drop from £15.7m to £13.6m in the first half pushed up the taxable surplus of IMI, the metal refining, fabricating and slide fasteners group, from £32.01m to £34.5m in the year to December 31, 1979. Sales to external customers, including a 14 per cent increase to £113m in exports, were up from £524m to £611.95m, a rise of 17 per cent.

Depreciation was up from £10.03m to £11.1m. Tax charged was reduced from £4.25m to £3.3m (£4.2m) on accelerated capital allowances, leaving net profit higher at £31.3m against £27.7m. Extraordinary debits total £2.25m (£2.4m), including rationalisation of production facilities which resulted in a deficit of £500,000 (£6.5m), £1.8m loss (£2.2m credit) for the decrease in value of net fixed assets of overseas subsidiaries and changes in exchange rates, and £3.0m (nil) for amounts written off by associates.

Commenting on the figures, Sir Michael Clapham, the chairman, says the group had put up a good performance over the year, particularly after the depreciation first-half for amounts written off by associates.

Higher interest charges affected profits, rising by around £3m to over £11m. He says the strong

**A TURNROUND** in underwriting results from a profit of £2.9m to a loss of £21.3m in 1979 set back profits of the Commercial Union Assurance Company down by 3 per cent to £137.6m. This was despite a 13 per cent rise in net investment income to £141m.

However, a significantly lower tax charge of £45.2m, against £54.4m, resulted in attributable profits advancing by 4.5 per cent to £91.8m.

World-wide premium income increased by 4 per cent in sterling terms to £1.15bn. But, after allowing for changes in exchange rates and the effect of the sale of a majority of shares in former subsidiaries in South Africa and the Republic of Ireland, the underlying growth in premium income was around 12 per cent.

The underlying increase in investment income, allowing for exchange fluctuations, was over 21 per cent. Part of this rise came from further repayment of loans and the ratio of debt to equity is now below 20 per cent. There will be further benefit in 1980 of these loan repayments. The solvency margin at the end of 1979 was about 62.5 per cent.

Results in the U.S., the largest operating country for CU, were disappointing, with a 25p (£2,005,55p) making a total of 4.4p (£3,678,65p). Stated earnings per 25p share before extraordinary items are 15.7p (£3,99p) and 11.1p (£1,18p).

On a CCA basis, pre-tax profits are estimated at some £20m (£20m).

See Lex

**ISSUE NEWS**

**Cluff seeks £3.2m for further exploration**

CLUFF OIL, the independent UK oil exploration company, is making a rights issue to raise £3.2m. The issue, which offers 1,018,787 ordinary shares at a price of 330p each, is on the basis of one for every seven ordinary or convertible "A" shares.

The money is to be used as working capital for the company. In particular, this will include £800,000 for survey work off the coast of China and £2m in respect of the company's share of the cost of the first exploration well to be drilled on Block 20/8 in the North Sea.

The company is currently involved in negotiations for Cluff Oil (Hong Kong) to raise finance through the issue of shares to Hong Kong investors. The Hong Kong subsidiary would then assume responsibility for survey costs offshore China.

Cluff Oil had a pre-tax loss of £36,112 in the year to December 31, 1979, and paid no dividend. The company says that it does not envisage that any dividends will be paid on ordinary shares in the near future.

At yesterday's share price of 380p, unchanged, the discount stood at 6.5 per cent.

The deadline for acceptance of the offer is March 18. Cluff and Company (Holdings), which has a 23.8 per cent stake in Cluff Oil, will not be taking up its entitlement of 242,287 new ordinary shares. Its allotment will be placed.

The issue has been underwritten by Barings Brothers and Company. Brokers to the issue are Panmure Gordon.

**Yearlings reach record 163**

The coupon rate on this week's batch of local authority yearlings is a record 163, up a quarter-point on last week's 161. Issued at par, the stocks mature on March 4, 1981.

The issues are: Erewash BC (£0.5m); City of Newcastle-on-Tyne (£1m); Borough of Sunderland (£1m); West Yorkshire Passenger Transport Executive (£0.5m); City of York (£0.5m); Newcastle-under-Lyme (£1m); Warrington DC (£0.75m); Wokingham DC (£0.75m); Middlesbrough BC (£0.5m); City of Salford (£0.25m); Worthing BC (£0.25m); City of Glasgow DC (£2m); Darlington BC (£0.5m); Gillingham BC (£0.5m); Redditch DC (£0.5m); Strathclyde Regional Council (£1m); West Yorkshire Metropolitan BC (£0.75m); Oxford City Council (£1m); Colchester BC (£0.75m); Trafford BC (£0.5m); Wirral BC (£1.25m).

The following issue is at a coupon rate of 161 per cent, issued at par and redeemable on February 23, 1981: Spelthorne BC (£0.5m).

**LOUIS EDWARDS**

Of the 1.8m ordinary shares offered as rights by Louis C. Edwards and Sons (Manchester), a total of 1.75m has been taken up. This represents approximately 97 per cent of the issue.

The 48,319 shares not taken up have been sold at 65p.

Metaltrax rises 20%, doubles payment and makes scrip

IN A difficult year for the engineering industry Metaltrax (Holdings) continued its growth in 1979 by lifting taxable profit 20 per cent. The Birmingham-based engineering group now proposes to effectively more than double its net total dividend and make a one-for-one scrip issue.

Sales for the 12 months were ahead 26 per cent to £21.6m and profits reached a record £2.53m (£2.11m) with £1.38m against £1.19m, coming in the second half.

Midway, when the surplus was up £0.23m to £1.15m the directors were cautious about the second six months. They said it was impossible to assess the effect of the unrest in the industry on customers, suppliers, and their own operations.

With the tax charge unchanged at £0.9m stated earnings per 5p share for the year were 33 per cent higher at 8.06p. A 1.88p net final effectively raises the total dividend to 2.5p (1.23p).

Available profit came out at £1.62m (£1.19m). After dividends

English and Scottish again progresses

Net revenue of English and Scottish investment increased from £558,561 to £644,045 after tax of £435,321 against £313,208 in the year to January 31, 1980.

Following their policy of recent years, the directors have announced a second interim dividend, in lieu of final, of 2.25p (2.05p), making a total of 3.25p (2.65p) on ordinary shares. The dividend on "B" shares is unchanged at 0.0875p. The scrip issue on "B" shares is 2.53947 for every 100 shares. Stated earnings per 25p ordinary share are 4.12p against 2.68p.

Net asset value per ordinary and "B" share is 124.6p (98.9p).

Rockwell prepares Serck bid as City Code probe begins

**BY RAY MAUGHAN**

AFTER ALMOST a month of talks, Rockwell International is now considering a full offer for Serck. Negotiations are taking place to see whether terms satisfactory to both parties can be agreed.

The Serck share price climbed 6p yesterday to 75p, equaling the price paid by Rockwell when purchasing 29.7 per cent of Serck's equity at the beginning of this month.

Mr. John Pinckard, Serck chief executive, said yesterday that he had had a reasonable idea last week that Rockwell intended to bid but the proposed deal was not confirmed until Monday. Discussions now centre on the bid price and, equally importantly, future employment levels at Serck. The group employs 4,700 people in the UK and its assets, as shown in the September 1979 balance sheet is £37.1m, or £7.3p per share.

Technical co-operation or some form of joint venture had been discussed but these options were ruled out as Serck came to be seen as a desirable platform for further expansion in Europe. The plug valve market, where Serck's product range and geographical penetration appear to dovetail with Rockwell's own steel valve operations, are understood to



**Our bread and butter**

For Glass Glover, fresh fruit and vegetables are bread and butter. As one of the largest distributors, we are the link between home and overseas producers of fresh fruit and vegetables and leading supermarkets and chain stores.

Efficient distribution, a "service first" policy, and a lot of hard work have again produced a record year for the Group.

In the year to 30th September, 1979 turnover increased by 23% to £30.4 million and pre-tax profits exceeded £3 million.

Our liquidity is good, which is encouraging at a time of high interest rates, especially as our overall share of the industry continues to expand.

To find out more about our business, performance and prospects, please write for a copy of our Annual Report to the Secretary at 9/11 Langley Court, London WC2E 9JY.

**GLASS GLOVER GROUP**

Rule 163 quote planned by United Electronic

United Electronic Holdings, a small electronics distribution company with a hi-fi retail arm, is planning to come to the market in the summer under rule 163 (2).

Charterhouse Japhet, the merchant bankers handling the flotation, says that much depends on market conditions but June or July would seem the most likely time.

United Electronic was formed in 1978 as an umbrella company for Intel Electronic Holdings, a distribution company with important links with the defence industry, and Hi-Fi Care, which operates half a dozen retail shops in London.

The flotation will probably be by way of an offer for sale, and will value the company at around

M. J. H. Nightingale & Co. Limited									
27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212									
1979-80									
High	Low	Company	Price	Change	Div (p)	Gross	Yield	P/E	
99	71	Airspan Ord.	71	—	5.7	8.4	4.28		
50	36	Amisaga and Rhodes	36	—	3.8	10.5	2.41		
226	185	Barton Hill	226	—	12.8	5.9	9.81		
100	85	County Cash 10.7% P.W.	85	—	15.3	18.0	—		
101	63	Deborah Ord.	92	—	7.0	5.4	10.1		
38	38	Frank Horsell	98	—	5.9	8.1	—		
128	100	Frederick Parker	128	—	12.8	11.8	4.89		
158	102	George Blair	109	—	16.5	15.7	—		
64	45	Jackson Group	64	—	5.2	8.1	3.91		
163	113	James Borough	116	—	7.2	8.2	10.2		
330	242	Robert Jenkins	253	—	12.4	11.1	—		
232	178	Tenley Limited	218	—	14.3	6.6	6.71		
34	18	Twinkl Ord.	20	—	0.6	4.2	3.84		
78	78	Twinkl 12% U.S.	78	—	12.0	15.5	—		
58	23	Unilock Holdings	50	—	2.6	5.2	10.8		
85	42	Walter Alexander	85	—	4.4	5.1	5.6		
189	135	W. S. Yates	162	—	25.8	6.2	7.0		

**Bullough**

\* Profit before tax rose 9% to £5.4 million.  
\* Dividend increased by 40% covered 4.0 times.  
\* Assets per share 215p.

**Audited Results to 31st October**

	1976	1977	1978	1979
Sales (£m)	22.2	29.2	40.0	47.1
Pre-tax profit (£m)	2.1	3.0	4.9	5.4
Dividend per share (p)	5.0	5.6	7.7	10.7

Bullough Limited is the holding company for Project Office Furniture, Beantalk Shelving, B & B Trainers and other light and electrical engineering companies. Copies of the Report and Accounts are available from The Secretary, 85 East Street, Epsom, Surrey, KT17 1ED.



## Vantona shows 17% increase

IN A year described by the directors as difficult, pre-tax profits of Vantona Group, textile and clothing manufacturer, improved by 17 per cent, rising from £7.31m to £8.57m on turnover of £117m against £102.4m.

First half profits for the year to November 30, 1979 rose from £3.35m to £4.02m despite the effects of industrial unrest and bad weather in the first four months. Rapidly rising energy, transport and wage costs brought pressure on margins in the later months, say directors.

The group has maintained a policy of containing costs increases by internal economies, they add, thus avoiding increases in selling prices wherever possible.

A final 5p lift in the dividend to 8p, as forecast, an increase of 39 per cent on last year's total of 5.75p.

A sharp rise in the interest charge, from £0.4m to £1.35m, reflects record interest rates, although the main increase of approximately £0.8m, relates to the cash part of the consideration paid for the Compton Webb Group, results of which are included for the first time.

Exports of the enlarged group are up by 9 per cent despite the effects of stronger sterling.

1979 1978  
Turnover 117,000 102,400  
Trading profit 9,527 7,711  
Interest 1,353 400  
Profit before tax 8,174 7,310  
Tax 481 2,803  
Extraordinary profit 537 628  
Minorities & Pre. div. 274 302  
Available 7,212 3,664  
Ord. div. 1,708 1,172  
Retained 5,504 2,492

Last year's figures have been restated following the adoption of SSAP 19, and approximately £12m previously provided for deferred taxation has been transferred to reserves.

### comment

Household textiles, where the bulk of Vantona's interests lie, has proved a rather more sheltered market than the rest of the textile sector. Nevertheless, once the contribution from Compton Webb—acquired in 1978—is stripped out, turnover rose by only 9 per cent—to £90m—and margins were squeezed. Compton Webb's turnover was strongly ahead, however, and the plan to push sales of uniforms in the Middle East has proved extremely successful. The scope for building up margins in Compton in the current year could give a significant fillip to profits, which are likely to be about £5m, for a prospective fully-taxed p/e of below 5. The share price moved up 4p to 101p yesterday, where the yield stands at 13 per cent. The strength of the balance sheet, which now shows no long-term debt and an overdraft of only a few million, together with the expansionary ambitions of the Board, makes acquisitions in the present depressed textile climate a virtual certainty.

## Mt. Charlotte progress: profits over £1m mark

AS FORECAST in the last annual report, Mount Charlotte Investments continued its progress in 1979. On turnover up by £0.67m to £9.98m, pre-tax profits for the year advanced from £0.86m to a record £1.05m, with £0.4m against £0.32m coming in the first six months.

Trading profits from the hotel and catering activities increased by 30 per cent over the year. Interest charges rose from £282,000 to £289,000.

Earnings per 10p share are stated ahead by 0.59p to 3.19p and the year's dividend is raised 28.7 per cent to 0.7p (0.553p) net.

The group's hotel properties, excluding those acquired in the year, were professionally revalued as at November 30, 1979, and this produced a surplus of £6.4m, which will be incorporated in the accounts.

There was a tax charge for the period of £135,000, compared with a £4,000 credit, and after extraordinary credits of £147,000 last time, attributable profits emerged down from £1m to £905,000.

The tax charge is attributable wholly to ACT written off as not being recoverable in the immediate future. There is no corporation tax due mainly to the excess of capital allowances over corresponding depreciation.

## London and Lomond Inv.

Gross revenue of London and Lomond Investment Trust rose from £1.27m to £1.62m in the year to December 31, 1979 and complete.

## Peter Brotherhood omits interim as losses deepen

PRE-TAX losses of £763,000, after exceptional and non-recurring costs of £530,000 and sharply higher interest, are reported by Peter Brotherhood for the six months to September 30, 1979. As a result, the interim dividend is being omitted.

In the first half of last year, there were taxable profits of £175,000. This was followed by a turnaround to losses of £130,921 in the second six months, leaving the full-time surplus of £12,079.

The directors said in the last annual statement that the first six months of 1979 had been much better than the last four months of 1978, showing substantial additions to the order book.

They now say that, as a result of a reappraisal of the group's position, a redundancy programme was completed in December. It is expected that overheads will be reduced by about £500,000 on an annualised basis.

This reduction in costs—which has mainly affected staff—has been made while maintaining full productive capacity. The directors are confident that the corrective action is already showing results and should further benefit the group in the year starting April, 1980.

In addition, the order book of this machinery and power plant manufacturer has been strengthening and a change in emphasis in marketing and sales is also showing results. Recently the group has obtained new orders worth £2m.

The exceptional and non-recurring costs comprise £221,000 write-down of the value of certain stock items considered to have no value; £101,000 expenditure on the design and development of a turbine shipped to the Philippines; and the engineering strike cost the group £208,000.

The directors hope the Philippines expenditure will be recovered as a result of future orders. Of the engineering strike, they say a considerable effort has been made to restore the delivery schedule, but lost production time cannot be fully recovered.

The current high interest

### BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering specific internal problems to solve. On the plus side, the balance sheet has apparently strengthened over the past 11 months, the rate of order intake is improving, the sales mix is better (with some resurgence in demand for marine engines) and overheads have been pruned. Against that redundancy costs of almost £100,000 will be struck in the second half and a recovery may not come through fast enough to preserve the final dividend. The share price of 64p compares with net worth of almost 171p per share but a recovery may have to wait for the answers to a number of questions. After a heavy stock write down, has Brotherhood now instituted effective production controls? How will future design and development expenditure for certain projects be treated? With a 3:1 ratio of non-production to production staff, has the group trimmed far enough? In the background, Baker Perkins is thought to have linked Brotherhood over but the message for the moment seems to be that this near neighbour is primarily interested in overseas expansion.

**TODAY**  
Interim: Austen and International Trust, BPM, British Assets Trust, Brown Brothers.  
There: A. C. Carr, Allen Harvey and Ross, General Accident Fire and Life Assurance, Hoover, Moorside Trust, Rights and Issues Investment Trust.

**FUTURE DATES**  
Interim: Consolidated Gold Fields Mar. 5  
Diploma Mar. 4  
Helena of London Mar. 27  
Mellor-Glenister Mar. 27  
Parker Knoll Mar. 10  
Finals:  
Needles Mar. 10  
Prudential Corporation Mar. 26  
Shore (W. N.) Mar. 6  
Spaul and Jackson Mar. 29  
Surrey Mar. 29  
Watmoughs Mar. 18  
Winton Estates Mar. 20  
\* Connected.

rates of borrowings, which are necessary to finance the long lead time for manufacturer and delivery, resulted in interest charges jumping from £52,000 to £225,000.

The strong pound in relation to major overseas competitors and long credit terms common in the capital goods industry continue to affect the group which exports over 60 per cent of its production, the directors say.

Payment of a final dividend will be considered when the full-year results are known and in the light of the directors' expectation for 1980-81. Last time there was a 1.825p interim and a 4.066p final.

Turnover for the six months improved from £4.18m to £5.77m. There was no tax charge, compared with £89,000 previously.

### comment

Peter Brotherhood may not be the black sheep of the engineering sector even without interim earnings and a dividend—currency effects on overseas

earnings, swinging interest costs and a sequence of strikes have cut a broad swathe through industrial profits—but the largely reconstituted board does seem to have a number of specific internal problems to solve. On the plus side, the balance sheet has apparently strengthened over the past 11 months, the rate of order intake is improving, the sales mix is better (with some resurgence in demand for marine engines) and overheads have been pruned. Against that redundancy costs of almost £100,000 will be struck in the second half and a recovery may not come through fast enough to preserve the final dividend. The share price of 64p compares with net worth of almost 171p per share but a recovery may have to wait for the answers to a number of questions. After a heavy stock write down, has Brotherhood now instituted effective production controls? How will future design and development expenditure for certain projects be treated? With a 3:1 ratio of non-production to production staff, has the group trimmed far enough? In the background, Baker Perkins is thought to have linked Brotherhood over but the message for the moment seems to be that this near neighbour is primarily interested in overseas expansion.

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The net interim dividend is held at 0.183p—a final of 0.6p was paid in profits of £0.49m (£0.35m) last time.

With tax for the half year taking £72,000 (£162,000) the net balance emerged at £68,700 (£139,800).

Pre-tax revenue advanced from £27,411 to £348,823. The net asset value per 25p share is 235.43p (242.21p).

There is a contingent liability of 7.7p (11.4p) per share for capital gains tax in respect of unrealised profits on the portfolio.

### HUNTING GIBSON

To improve marketability Hunting Gibson proposes to subdivide its £1 shares into 25p shares, to take effect from close of business on March 21. It is anticipated that dealings will start on March 24.

## FNFC looks likely to need all of its £79m provisions

ABOUT HALF the outstanding provisions of £78.8m in the balance sheet of First National Finance Corporation would "probably be totally irrecoverable," Mr. Stuart Dyer, the managing director told the annual meeting yesterday.

He warned shareholders, however, not to assume that this meant the remainder had a good chance of being recovered. "The provisions we have made are totally justified," he said, "and if we have three more years as difficult as the last I doubt whether we would get very much back."

Mr. Dyer stressed that the company was vulnerable to high interest rates and fluctuations in the property and housing markets. Nevertheless, "while there is life there is hope," he said, "and we are not going to write off debts if there is a hope of getting them back." Mr. Dyer said that further recoveries were likely but it was impossible to put a figure on them.

The annual meeting was followed by a 94 per cent 1982 loan stockholders' meeting which approved the restructuring of the profitable consumer credit division to bring all its assets under one subsidiary.

The scheme has not gone through, however, as the second loan stockholders' meeting, of the 94 per cent 1982-87 stock, was adjourned to March 18 for want of a quorum.

Mr. John Glyn, the chairman, replying to shareholders' questions, said that "the Board

is unaware of any approach to the company for the group or any part of it."

## Second half decline for T. F. Braime

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## IMI 1979 Results

Year ended 31st December 1978 £000		Year ended 31st December 1979 £000
524,006	Group sales to external customers	611,977
32,010	Group profit before taxation	34,536
4,245	Taxation	3,262
24,684	Earnings after tax applicable to IMI	29,366
7,723	Dividends	9,169
237,502	Net tangible assets	250,379

### Notes

- Group profit before taxation includes a loss of £0.3 million (1978: £0.7 million) in respect of the change in value of the net current assets of overseas subsidiaries due to changes in exchange rates.
- Provision has been made for the payment of a bonus of £2.2 million (1978: £2.0 million) to employees participating in the IMI profit sharing scheme.
- The Group's share of the profits, less losses, of major associated companies amounting to £2.1 million (1978: £1.9 million) has been included in the Group profit before taxation.
- Taxation relief on accelerated capital allowances amounting to £8.3 million (1978: £4.2 million) has been deducted in arriving at the charge for taxation. In addition, the taxation charge includes the following movements in the deferred taxation provision:

	1979 £000	1978 £000
Stock appreciation relief		
The decrease in the provision comprises:		
Relief for increase in stock values in year	3,826	5,617
Relief claimed in earlier years no longer considered subject to clawback	(9,942)	(8,762)
	(6,116)	(3,145)
Timing differences	(738)	(308)
	(6,854)	(3,453)

In view of the difficulty in forecasting year-end stock values which can be significantly affected by factors outside the Group's control provision is still considered necessary against the potential future clawback of stock appreciation relief but since current estimates of future stock levels indicate that stock relief claimed in 1975 and 1976 will not be withdrawn, the provision for deferred taxation has been amended accordingly.

- The charge for other extraordinary items includes £1.8 million (1978: credit £2.2 million) in respect of the decrease in value of net fixed assets of overseas subsidiaries and interests in overseas investments due to changes in exchange rates and £0.5 million (1978: nil) in respect of amounts written off investments by associated companies.
- It is estimated that inflation adjustments on the CCA basis adopted last year would reduce profit before taxation to approximately £20 million (1978: £20 million).

### Dividends

The Directors recommend a final dividend of 2.5p per ordinary share, payable on 25 April 1980 to shareholders on the Register at the close of business on 24 March, 1980, which will absorb £5,210,000 (1978: £4,175,000). Together with the interim dividend of 1.9p per share paid on 22 October 1979 this makes a total of 4.4p per share (1978: 3.6785p per share).

### Brief Review of Activities

At £612 million, turnover was 17% higher than in 1978. Exports were 14% higher at £113 million.

Profits before tax were £34.5 million. Adverse factors included national disputes of transport drivers and engineers, higher interest charges, and exchange losses and lower export margins resulting from the greater strength of sterling.

Increased profits were derived from building products (copper tube, fittings, cylinders, water heaters and plastic pipe), heat exchange, and special purpose valves. Results from refining and copper semis showed some improvement whilst fluid power profits were at approximately the same level as in 1978. Profits from titanium melting and fabrication were higher as a result of increased aerospace sales. In zips, the LF/Opti Group achieved some improvement in markets damaged by imports of finished clothing. Alloy tube business was depressed and the Eley ammunition activity had a poor year.

### Building Products Fluid Power Zip Fasteners

### Heat Exchange General Engineering Refined and Wrought Metals

IMI Limited, Kynoch Works, Wotton, Birmingham B67 8BA

## THE CRONITE GROUP LIMITED

Highlights from the annual report by the chairman, Mr. K. F. Ward, for the year ended 30 September 1979.

- ★ Record pre-tax profits—up 82%
- ★ Record turnover—up to £9.08m from £6.87m
- ★ Record earnings per share increased to 11.0p from 5.8p
- ★ 15% increase in final dividend.

### Results

"These excellent results were achieved primarily because we are now receiving a more acceptable return on capital within the nickel alloy manufacturing operation."

### Exports

"Export sales now exceed £2 million making Cronite one of the few companies in its field with an export market of any size. This justifies management's concentration on building world markets for products which are traditionally considered domestic."

### Prospects

"I am concerned about the probable recession in 1980 but I believe we are now soundly based to increase our share of the market in the difficult period ahead."

Full report and accounts available from The Secretary, The Cronite Group Ltd., Montgomery Street, Birmingham B11 1DT.

**CRONITE**  
specialists in nickel alloys

## SANYO ELECTRIC CO. LTD.

Curacao Depositary Receipts of ordinary Shares

Holders of the above-mentioned CDRs are informed that the Annual General Meeting of Shareholders will be held at Osaka on February 28th, 1980.

In addition to the business customarily on the agenda, the following motion will be discussed:

- partial amendment to Articles of Incorporation
- declaration of the final dividend of Yen 3 for the financial year ended November 30th, 1979, payable on February 29th, 1980.

As from November 27th, 1979, the shares have been traded ex-dividend in Japan. The dividend is expected to be made payable in the Netherlands mid-March 1980. Until then, the CDRs will be traded cum-dividend in Amsterdam.

The English version of the Notice convening the Meeting together with the relevant explanatory notes are available at the offices of the undersigned and The Sunitimo Bank Limited, London.

BANK MEES & HOPE NV  
as duly authorised Agents of  
Capenech Administration Company N.V.  
Amsterdam, February 19th, 1980.

## Nottingham Brick set for much better first half

FIRST HALF results to the end of March from Nottingham Brick Co. will be considerably better than last year because of the favourable weather so far, Mr. D. C. Carr, the chairman, told the annual meeting.

However, he was cautious about the second six months. In the longer term the directors remained confident of the success of the company, and Mr. Carr said he was certain that when the present recession ended the demand for traditional brickwork in all forms of construction would increase.

The acquisition of Maltby Brick in May last year had

## Bullough £2.5m spending

Bullough, the engineering group, spent £2.5m in maintaining and improving production and distribution facilities in the year to October 31, 1979, says Mr. B. P. Jenks, the chairman, in his annual statement.

This expenditure was spread throughout the group in order to enhance the competitiveness of the companies, and one particular item has already proved a satisfactory acquisition—a robot welder.

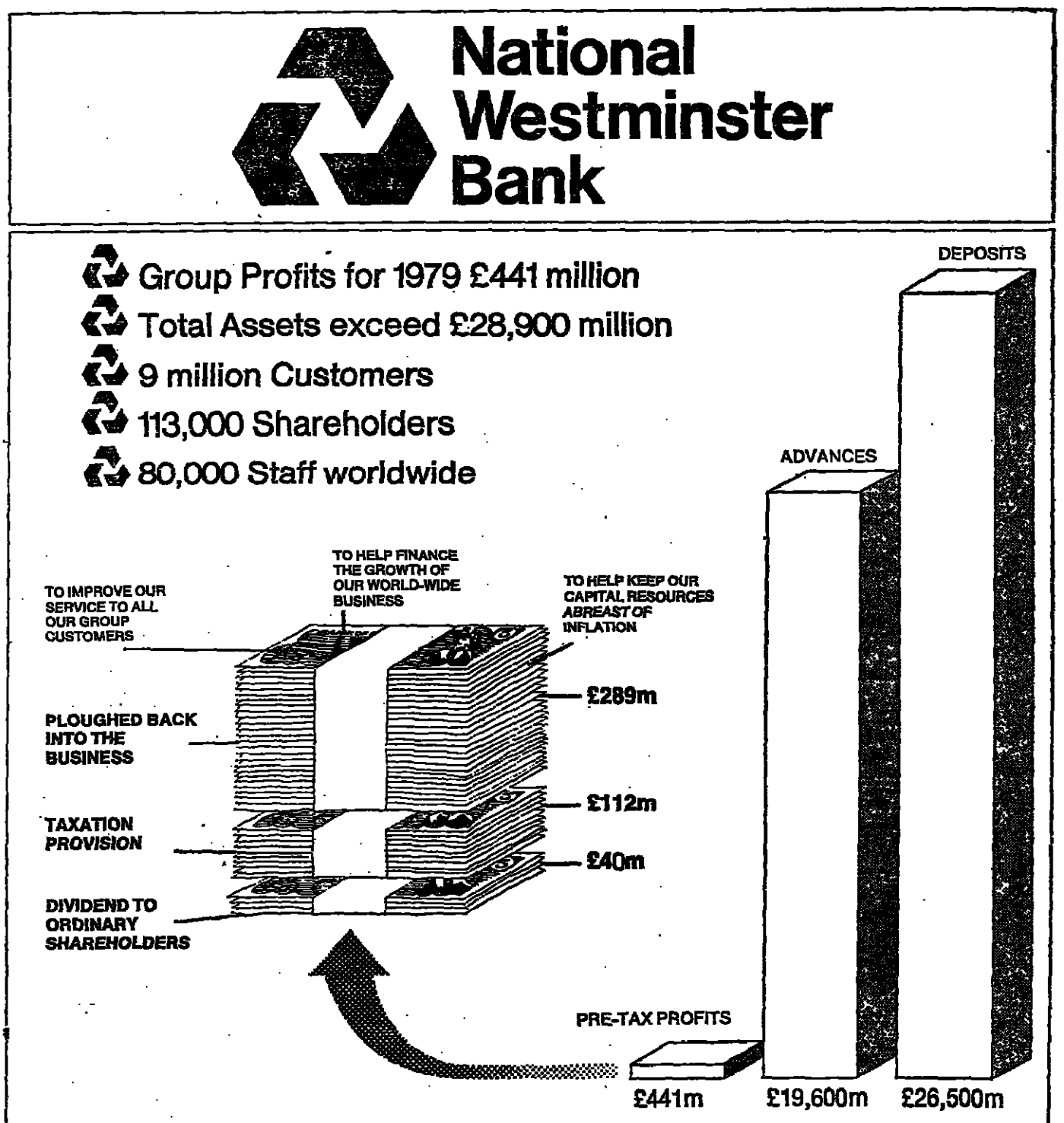
This welder enabled subsidiary Multistroke Handbrake Controls to meet sudden and major increases in demand in spite of a severe local shortage of skilled welders. There are only about 60 robot welders in use in this country against many hundreds in competing countries like Germany.

As reported on January 25, 1980, pre-tax profits of the group improved from £4.95m to a record £5.4m from turnover increasing from £40.02m to £47.06m. The UK provided £38.6m (£32.82m) of the turnover with the Middle East the next highest contributor with £3.06m (£2m). The EEC's share was £2.9m (£2.3m) with the rest of Europe £1.5m (£1.1m).

Manufacture of engineering products resulted in an operating profit of £3.8m against £3.4m. Manufacture of furniture and contract furnishing produced £1.6m (£1.5m).

Net current assets are £9.15m (£7.6m). There was an increase in working capital of £2.02m (£2.93m).

Meeting, 20 Cannon Street, EC, March 20, 10.15 am.









## CURRENCIES, MONEY AND GOLD

## Dollar steady

## THE POUND SPOT AND FORWARD

Feb. 26	Day's spread	Close	One month	% Three months	p.a.
U.S.	2.2750-2.2815	2.2760-2.2770	0.32-0.32 1/2	1.42	1.12-1.02 pm
Canada	2.2820-2.2820	2.2810-2.2815	1.15-1.05 pm	1.42	1.12-1.02 pm
Belgium	4.40-4.40	4.40-4.40	2.15-2.15 pm	1.42	1.12-1.02 pm
France	6.55-6.55	6.55-6.55	2.15-2.15 pm	1.42	1.12-1.02 pm
Germany	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
Italy	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
Japan	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
Switzerland	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
UK	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm

## THE DOLLAR SPOT AND FORWARD

Feb. 26	Day's spread	Close	One month	% Three months	p.a.
U.S.	2.2750-2.2815	2.2760-2.2770	0.32-0.32 1/2	1.42	1.12-1.02 pm
Canada	2.2820-2.2820	2.2810-2.2815	1.15-1.05 pm	1.42	1.12-1.02 pm
Belgium	4.40-4.40	4.40-4.40	2.15-2.15 pm	1.42	1.12-1.02 pm
France	6.55-6.55	6.55-6.55	2.15-2.15 pm	1.42	1.12-1.02 pm
Germany	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
Italy	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
Japan	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
Switzerland	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm
UK	1.00-1.00	1.00-1.00	2.15-2.15 pm	1.42	1.12-1.02 pm

## CURRENCY RATES

Feb. 26	Bank of England	Special Drawing Rights	European Currency Unit	Feb. 26	Bank of England	Special Drawing Rights	European Currency Unit
U.S.	1.00	1.00	1.00	U.S.	1.00	1.00	1.00
Canada	1.00	1.00	1.00	Canada	1.00	1.00	1.00
Belgium	1.00	1.00	1.00	Belgium	1.00	1.00	1.00
France	1.00	1.00	1.00	France	1.00	1.00	1.00
Germany	1.00	1.00	1.00	Germany	1.00	1.00	1.00
Italy	1.00	1.00	1.00	Italy	1.00	1.00	1.00
Japan	1.00	1.00	1.00	Japan	1.00	1.00	1.00
Switzerland	1.00	1.00	1.00	Switzerland	1.00	1.00	1.00
UK	1.00	1.00	1.00	UK	1.00	1.00	1.00

## OTHER MARKETS

Feb. 26	Mark	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar
Argentina	1.00	1.00	1.00	Argentina	1.00	1.00	1.00
Australia	1.00	1.00	1.00	Australia	1.00	1.00	1.00
Canada	1.00	1.00	1.00	Canada	1.00	1.00	1.00
Denmark	1.00	1.00	1.00	Denmark	1.00	1.00	1.00
France	1.00	1.00	1.00	France	1.00	1.00	1.00
Germany	1.00	1.00	1.00	Germany	1.00	1.00	1.00
Italy	1.00	1.00	1.00	Italy	1.00	1.00	1.00
Japan	1.00	1.00	1.00	Japan	1.00	1.00	1.00
Switzerland	1.00	1.00	1.00	Switzerland	1.00	1.00	1.00
UK	1.00	1.00	1.00	UK	1.00	1.00	1.00

The DOLLAR remained firm against leading currencies yesterday, but showed little overall movement. The recent climb in world interest rates continued to be the focal point, with investors looking closely to tomorrow's meeting of the West German Bundesbank central council, as a rise in the German discount rate and lombard rate is widely anticipated. However, for the time being, currencies showed little change on balance, although the dollar's firmer tendency may have been checked by the Bundesbank and the Swiss National Bank. Against the D-mark it ended at DM 1.7625 compared with DM 1.7615 on Monday, and SwFr 1.6700 against SwFr 1.6690 in terms of the Swiss franc. Against the yen, the dollar was slightly weaker at ¥248.00 against ¥248.30. On Bank of England figures, its trade weighted index was 88.1 compared with 88.2. Sterling moved quietly for most of the day, finishing up with an unchanged trade weighted index of 72.9. Against the dollar, it opened at \$2.2750 and rose in this trading to a high point of \$2.2815. It has come back to \$2.2775 however, and traded around this level for most of the afternoon. It closed at \$2.2760-2.2770, a fall of just 5 points from Monday's close.

**D-MARK**—Very strong, but remaining steady within the European Monetary System. The D-mark was stronger overall, but lost ground notably against sterling and the Canadian dollar. The latter was still buoyed by expectations of a rise in its discount rate after last week's rise in the U.S. rate. At the fixing, the Canadian dollar rose to DM 1.5331 from DM 1.5298 on Monday. Sterling was firmer at DM 4.0120 compared with DM 4.0060, while the

U.S. dollar showed hardly any movement at DM 1.7610 from DM 1.7617. On the other hand the Swiss franc continued to weaken to FF 1.0557 against FF 1.0558, and the French franc fell to FF 42.62 per FF 100 from FF 42.65. **FRENCH FRANC**—Weaker recently on inflation fears, having been top of the EMS up until last week. The franc up to now has lost ground against its EMS partners, with sterling and the U.S. dollar also improving at the franc's expense. The dollar was fixed at FF 4.1335 up from FF 4.1320 on Monday, and sterling rose to FF 9.4165 from FF 9.4. EMS currencies showed little movement. The D-mark at FF 2.3484 against FF 2.3458 and the Belgian franc at FF 14.4485 compared with FF 14.4425.

**DANISH KRONE**—Basically weak, suffering two devaluations since EMS began last March. The krone fell back slightly yesterday after its recent firmer trend, although the Swiss franc and the Italian lira were both weaker. The dollar improved to Dkr 5.4860 from Dkr 5.4845, and sterling was higher at Dkr 12.5020 against Dkr 12.4770 at Monday's fixing.

**JAPANESE YEN**—Energy problems reflected in sharp decline last year, but steadier recent weeks when downward pressure has been renewed. The dollar finished below its best level against the yen yesterday, but still showed an improvement over Monday's close. It finished yesterday at ¥248.375 against ¥248.30 previously. The Bank of Japan was reported to have sold around \$50m when the U.S. unit touched its best level of the day at ¥248. But dealers pointed out that the dollar was also easier on profit taking and a feeling that the present commercial demand may ease up towards the end of the month.

## EMS EUROPEAN CURRENCY UNIT RATES

Feb. 26	Central rates	Current rates	% change	% change	Divergence
Belgium	39.7897	40.5992	+2.03	+1.48	-1.53
Denmark	7.4638	7.4638	+0.00	+0.00	0.00
France	6.5593	6.5593	+0.00	+0.00	0.00
Germany	2.4756	2.4756	+0.00	+0.00	0.00
Italy	1.936	1.936	+0.00	+0.00	0.00
UK	1.00	1.00	+0.00	+0.00	0.00

## EXCHANGE CROSS RATES

Feb. 26	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar
U.S. Dollar	1.00	1.00	1.00	U.S. Dollar	1.00	1.00	1.00
Canada	1.00	1.00	1.00	Canada	1.00	1.00	1.00
Denmark	1.00	1.00	1.00	Denmark	1.00	1.00	1.00
France	1.00	1.00	1.00	France	1.00	1.00	1.00
Germany	1.00	1.00	1.00	Germany	1.00	1.00	1.00
Italy	1.00	1.00	1.00	Italy	1.00	1.00	1.00
Japan	1.00	1.00	1.00	Japan	1.00	1.00	1.00
Switzerland	1.00	1.00	1.00	Switzerland	1.00	1.00	1.00
UK	1.00	1.00	1.00	UK	1.00	1.00	1.00

## EURO-CURRENCY INTEREST RATES

Feb. 26	Sterling	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar	U.S. Dollar
Short term	12.17%	15.18%	15.18%	15.18%	15.18%	15.18%	15.18%
Three months	17.18%	18.18%	18.18%	18.18%	18.18%	18.18%	18.18%
Six months	17.18%	18.18%	18.18%	18.18%	18.18%	18.18%	18.18%
One year	17.18%	18.18%	18.18%	18.18%	18.18%	18.18%	18.18%

## INTERNATIONAL MONEY MARKET

## Belgian rates up

Interest rates in Europe continued to rise yesterday, with the Belgian National Bank increasing one-month Treasury bill rates for the second time in less than a week. The rate now stands at 14 1/2 per cent from 14 per cent, and the latest rise brings it more into line with other market rates. Two and three-month Treasury certificates were left unchanged, but four-month bond fund paper has been increased to 15 per cent from 14 1/2 per cent.

Market tension has increased considerably this week as the likelihood of a further rise in the Belgian discount rate increases. The authorities may decide to act after today's meeting of the National Bank's ruling council, with market sources suggesting a rise of 1 or 2 per cent from the current level of 10 per cent. On the other hand they may wait until after tomorrow's meeting of the Bundesbank central council, where a rise is expected, in the West German discount and lombard rates. The tender is now to be held this Friday. Money market rates yesterday were mostly unchanged, with call money

remaining at a five-year peak at 12 1/2 per cent. The Dutch Finance Ministry is to offer Treasury bills for tender tomorrow with payment on March 3. The amount offered and the coupon rate will not be made available until after the tender closes. The last offering on January 14 attracted successful bids of 79,803.7m at a rate of 9 per cent.

## UK MONEY MARKET

## Small shortage

Bank of England Minimum Lending Rate 17 per cent (since November 15, 1979). Day to day credit remained in short supply in the London money market yesterday, and the authorities gave assistance on a large scale. This comprised small purchases of Treasury bills both from the discount houses and banks and a small number of corporation bills. They also bought a small amount of eligible bank bills for resale at a fixed future date. The help was made up with small loans to some discount houses at M.L.R. and some tomorrow. Discount houses were paying up to 17 per cent for secured call loans at the

## GOLD

## Firm trend

Gold rose \$13 an ounce in generally quiet trading yesterday in London to end at \$636.64. The metal opened at \$636.64 and touched a low point of \$635.64. Trading was restricted to a fairly narrow range, with a top for the day of \$643.64. There was little movement after the opening of U.S. markets, and the day's rise was mainly attributed to short covering.

In Paris the 12 1/2 kilo bar was fixed at \$636.64 per kilo (\$636.60 per ounce) compared with FF 84,500 (\$636.37) in the morning and FF 84,000 (\$632.30) on Monday afternoon. In Frankfurt the 12 1/2 kilo bar was fixed at DM 26,080 per kilo (\$637.48 per ounce) against DM 35,410 (\$625.00) previously.

In the interbank overnight loans opened at 17 1/2 per cent and rose to 17 1/2 per cent on the forecast of a higher than large shortage. By lunch however rates had eased back to 16 1/2 per cent, and closed at 16 1/2 per cent. Rates in the table below are nominal in some cases.

Feb. 26	Gold Bullion (fine ounce)	Feb. 25	Gold Bullion (fine ounce)
Close	\$636.64	\$636.64	\$636.64
Opening	\$636.64	\$636.64	\$636.64
High	\$643.64	\$643.64	\$643.64
Low	\$635.64	\$635.64	\$635.64

Feb. 26	Gold Coins	Feb. 25	Gold Coins
Close	\$636.64	\$636.64	\$636.64
Opening	\$636.64	\$636.64	\$636.64
High	\$643.64	\$643.64	\$643.64
Low	\$635.64	\$635.64	\$635.64

## APPOINTMENTS

## Reed International main Board posts

Mr. E. F. Hillan and Sir Keith Skinner have been appointed directors of REED INTERNATIONAL from March 1. Mr. Hillan is a deputy chairman of Reed Group (the European paper and packaging division of Reed International) with responsibility for the division's packaging operations, and is also chairman and chief executive of Reed Corrugated Cases which is part of Reed Group. Sir Keith is a director of International Publishing Corporation and chairman and chief executive of IPC Business Press, a member of the International Publishing Corporation division of Reed International.

Mr. N. G. M. Bussa has been appointed a director of JONA-MILLER (INTERNATIONAL), a member of the Tricoville group. Mr. Anthony Marston has been made group financial controller and company secretary of Tricoville Ltd.

Technical manager of SBD Construction Products, Mr. J. D. N. Shaw, has been elected chairman of FEPA, the Federation of Epoxy Resin Formulators and Applicators. The appointment is for two years.

Mr. Glenn P. Baskin, an executive vice-president of KENNEDY COPPER CORPORATION and president of its Kennecott Minerals Company, has been

elected president and chief operating officer of the corporation. He is succeeded by Reed of Kennecott Minerals Company by Mr. G. Frank Joklik, who has been senior vice-president of the Kennecott mining division since May 1979. Mr. Joklik also was elected a vice-president of the corporation.

Mr. Roger Freebody has been appointed a director of PORTH TEXILES, a Rhondda, South Wales, company.

Mr. Edward J. Roach has been appointed vice-president of marketing for the HONEYWELL AEROSPACE AND DEFENSE GROUP (ADG). He succeeds James J. Verrant, who becomes vice-president and general manager of the company's process management systems division. Mr. Roach will serve as Mr. Verrant's deputy until that time.

MUZAK has established an organisation in London headed by Mr. Stephen Gottlieb as senior vice-president, international operations. Mr. Gottlieb has been chairman of Polygram Leisure and was also chief executive of Chappell and Company. Muzyak is a division of the Teleprompter Corporation.

Mr. Raymond Bannister has been appointed vice-chairman of the OCCUPATIONAL PENSIONS BOARD since it was established in 1973. He will become secretary to the Board on April 1, 1980. She will combine this post with her present responsibilities as controller of the Board's executive office. Miss Grainger succeeds Mr. Peter Fennell, secretary to the Board since June 1974, who retires from the Civil Service on March 31.

Professor Ian G. Stewart, professor of Economics at the University of Edinburgh, was appointed director of THE SCOTTISH PROVIDENT INSTITUTION on February 12.

Mr. Robert J. Culverwell and Mr. Les Mack have been appointed directors of BEL-STAFF INTERNATIONAL, a company within the newly-formed Trian Leisure Group of James Hargest Holdings.

Mr. Duane R. Kullberg has been elected for a four-year term as chief executive of ARTHUR ANDERSEN, the present chairman of the Board of Directors, succeeds Mr. Richard J. Boland, who has been acting chairman since the resignation of Mr. Harvey Kaplan in mid-October 1979.

Miss Margaret Grainger, who has been with the OCCUPATIONAL PENSIONS BOARD since it was established in 1973, will become secretary to the Board on April 1, 1980. She will combine this post with her present responsibilities as controller of the Board's executive office. Miss Grainger succeeds Mr. Peter Fennell, secretary to the Board since June 1974, who retires from the Civil Service on March 31.

Mr. Michael D. Hill has been appointed chief executive of the BANK OF IRELAND FINANCE (UK) and BRITISH CREDIT TRUST.

Mr. Calum A. MacLeod has been appointed deputy chairman of GRAMPAN TELEVISION and Dr. Fiona J. Lyall has joined the Board following the retirement of Professor James Drever.

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ABN C	F.300	3	8	—	—	—	F.282
ABN C	F.300	3	8	—	—	—	F.282
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## Companies and Markets

## INTERNATIONAL COMPANIES and FINANCE

## U.S. BROKERAGE HOUSES

## When it pays to diversify

BY DAVID LASCELLES IN NEW YORK

THE BOND market may lie in ruins, the stock market may be going nowhere fast, interest rates may have gone through the roof, and the commodity markets may be in turmoil. But Wall Street is doing very well, thank you. Without exception, all major Wall Street brokerage houses reported sharp gains in earnings for 1979, with the biggest increases coming at the end of the year when conditions were at their most chaotic.

The reason, of course, is that these houses are enjoying exceptionally large commissions from the high market turnover. The average number of shares traded on the New York Stock Exchange last year was 32m a day, a record and 14 per cent up on 1978. And these commissions have Wall Street's earnings rising to levels not seen since the late 1960s. But the health of brokers' earnings is also a sign that any backroom snarl-ups brought on by fast-moving markets in the past are being overcome. Another reason is that brokerage houses owe an increasing share of their earnings to diversified activities which have tended to be more steady and profitable than trading in securities.

Typical of the trend was the earnings report of Merrill Lynch, the industry leader. Profits for the full year were up by exactly two thirds to \$113.7m. But the sharpest jump came after September 30, in the quarter which brought the Fed's October 6 economic package and near-chaotic stock market conditions. Earnings in that quarter rose by 227 per cent to a record \$29.6m.

Merrill reported that commission revenues rose by 38 per cent in the quarter, reflecting

the market upsurge and what it claimed to be its increased market share. But it noted that commissions on commodity futures transactions rose sharply too.

Merrill's figures also suggest that its profitability is increasing. Net earnings for 1979 were equivalent to 5.5 per cent of revenues, it said, up from 4.7 per cent in 1978. At the same time it managed to bring its operating expenses down from the equivalent of 22.5 per cent of revenues to 20.4 per cent.

Bache Group, parent of Bache Halsey Stuart Shields, reported one of the biggest profit gains for the quarter—1,000 per cent—attributing it to the surge in the market place and a 74 per cent gain in commodity business. Bache has been convinced for some time that whether or not equity prices take off, market volume is due for a sharp increase, and that brokerage houses should prepare themselves to handle high turnover.

Its current prediction is for an approximate doubling of equity volume between now and 1980. The improved climate also helped one of the industry's weaker brethren, First Boston, to turn a heavy fourth quarter loss in 1978 into a sizeable profit last year. As a result, First Boston's full year results showed a profit of \$17.2m, its best since its record year of 1976.

First Boston's turnaround was a sign that higher brokerage fees alone are not responsible for Wall Street's rise in profits. First Boston's dependence on fees is well below average—about 20 per cent of revenues against the 50 per cent common elsewhere—suggesting that the company also earned considerably more from its trading

activities. It is one of Wall Street's leading bond trading houses and investment bankers.

The fruits of diversification from straight brokerage are also evident elsewhere. E. F. Hutton, best known as one of the largest retail brokers in the U.S., noted in its year end statement that it had recorded good

## WALL STREET'S PROFITS

(\$m in quarter ended Dec. 31)

	1979	1978
Merrill Lynch	113.7	8.7
Shearson Loeb	29.6	1.1
Rhoades	11.9	3.2
Paine Webber	7.0	0.6
E. F. Hutton	11.1	3.7
Dean Witter	4.7	3.4
Reynolds*	12	1.1
Bache†	17.2	1.1
First Boston	7.6	(4.3)

\* Quarter ended Nov. 30.  
† Quarter ended Jan. 31.

results in its trading activities, and that investment banking revenues were a record. Mr. George Shinn, chairman, said the investment in Credit Suisse-First Boston "continues to develop favourably and to be an encouragement for the future."

Merrill Lynch noted the "strong" revenues from its insurance activities, along with a 15.8 per cent final quarter improvement in investment banking revenues due to a rise in major underwritings handled by its Merrill Lynch White Weld Capital Markets Group. Bache Group, which also recently diversified into insurance, predicted that its securities commission business would account for less than 40 per cent of total

revenues five years from now. It was 48 per cent in 1979.

A point which emerges from most earnings reports is that brokerage houses are learning to live with, indeed profit from, high interest rates, despite the highly leveraged nature of the business. At Merrill Lynch, interest revenue was the largest single contributor. Total revenues, with 37 per cent last year, it was also the second largest charge on revenues with 31 per cent.

There were two main sources of interest income: one, the securities owned by the brokerage houses and two, the high interest charges brokers can now levy on loans to their customers. The fast growth of interest rate futures in the last couple of years has also given brokers an extra way of protecting themselves against adverse changes in rates.

Last year brought a couple more mergers in this much shaken-up industry. Shearson took over Loeb Rhoades, a move which brought sharply increased earnings for the combined operation, though not reportedly without some merger pains.

Paine Webber's acquisition of Blyth Eastman Dillon happened too late to be included in the final quarter results. Mr. James Davant, chairman of the combined company, said four weeks ago that business had been good in January, first month of the newly-combined company. However, the company revealed on Monday that it was having to pare back some of its business to reduce "operational problems" caused by the merger. The merger was also causing high extra costs which would have a significant negative impact on first quarter earnings, Mr. Davant said.

## Kellogg profit tops forecast

By Our Financial Staff

KELOGG, whose earnings are still largely derived from its 40 per cent hold on the U.S. ready-to-eat cereals market, met its profit forecasts for 1979 with ease. The net earnings total of \$182.6m or \$3.13 a share was 12 per cent up on the year. The previous forecast of \$2.10 a share was in the event outdied by the credit of \$11.7m from the change in U.K. tax structure. Sales, at \$1.85bn show a gain of 9 per cent.

Kellogg now earns some 25 per cent of earnings from outside the U.S.—including Canada—and further good progress is expected from this side of the business.

Earnings at home have been sluggish over the past few years, chiefly because of slower sales of breakfast cereals. But it is hoped that there will be some recovery in the U.S.

## Cummins stake

Gulf and Western Industries has bought 513,000 common shares or 6.15 per cent of Cummins Engine, Reuter reports from New York. The shares were purchased for investment. Gulf and Western stated.

## IU International net up slightly

BY OUR FINANCIAL STAFF

THE world-wide shipping, land transport, industrial and utility services company, IU International, earned \$68.1m or \$1.91 a share from continuing operations in 1979, compared with \$65.6m or \$1.91 last time.

Last year, IU International hived off Gotsas-Larsen, at that time the shipping subsidiary. In the final quarter of last year, IU returned a profit of \$13.9m or 38 cents a share, against a loss of \$41.8m or \$1.28 a share. The 1978 quarter carried a loss of \$53.1m from cancellation of

contracts for liquefied natural gas (LNG) tankers ordered by Gotsas-Larsen.

Mr. John M. Seabrook, chairman of IU, expects 1980 to be a "very good year," based on present company forecasts. Operating earnings should be considerably better and a further addition is expected from the group's silver mine in Canada.

The net earnings total includes losses equal to two cents a share against five cents in the quarters and a loss equal to 27 cents against a gain of 30

cents a share in the year from foreign currency adjustments.

Currency adjustments from discontinued operations accounted for losses equal to three cents a share compared with four cents in the quarter and losses equal to 15 cents against five cents in the year.

Gotsas-Larsen Shipping had an estimated net income of \$2m in the year ending December 31 last. This compares with a net loss in the previous year.

## Arco signs oil deal with Dubai

BY KATHLEEN BISHTAWI IN DUBAI

THE RULER of Dubai, Sheikh Rashid bin Said al Maktoum, has signed an oil concession agreement with a wholly-owned subsidiary of Atlantic Richfield (Arco), the U.S. independent oil company.

A senior local official also disclosed that an oil discovery made in an offshore area held by the Dubai Petroleum Company, in which Continental Oil is the main shareholder and

operator, is in the middle of an extensive drilling area for both oil and gas. But the official emphasised that it was "nothing extraordinary."

The new oil concession agreement with Arco Dubai as the subsidiary extends over 35 years and covers 80 per cent of Arco's onshore area. The remaining 20 per cent is held by Sedco, the Houston oil and minerals company.

The agreement with Arco calls for a minimum investment of \$1m on geophysical studies and \$5m per well drilled. The concession agreement also requires that a well be drilled at least by the third year, and thereafter one well per year up to five years, should the results of the preliminary studies prove encouraging. The studies are expected to take between 18 months and two years to complete.

Announcing the new concession, Mr. Charles Totah, chief negotiator for Atlantic Richfield said that the onshore area of Dubai was relatively unexplored and new exploration techniques and improved technology could yield better results than the previous concessionaire, which was the Dubai Petroleum Company.

In another unrelated development, a senior Dubai official announced that the Abu Dhabi National Oil Company had agreed to the construction of a pipeline from Abu Dhabi to Dubai. The pipeline will feed much needed gas into Dubai's aluminium smelter and also to a proposed new power plant which is to be built on the Emirate's border with Abu Dhabi.

## IBM studies appeal ruling

ARMONK—International Business Machines is studying a court's rejection of its request to remove the presiding judge from the IBM anti-trust case "to determine whether further action would be appropriate."

IBM presumably could request a hearing before a ten judge Appeals Court or could appeal to the Supreme Court.

IBM has sought the removal of U.S. District Judge David Edelstein for being biased, but the motion was declared "legally insufficient."

Judge Edelstein said he was pleased by the appeal panel's ruling. "I shall continue to try this case in the best way I know," he added. He said he does not quarrel with predictions that both sides may rest their cases by June.

The panel did not consider the merits of the Justice Department's case nor of IBM's defence, but only the issue of whether Judge Edelstein is biased. The panel, however, considered that a settlement between IBM and the Government "would be in the best interests of all concerned."

Of the costs of the case, it said that it knew of no other litigation involving so much time and expense.

AP-DJ



Extract from Audited Accounts 31st December, 1979.

	1979	1978
Share Capital and Reserves	22,058	19,707
Subordinated Loans	10,704	11,918
Deposits	452,958	435,051
Total Assets	521,444	505,743
Consolidated pre-tax profit	6,665	6,737
Dividend paid (10%)	700	700

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## CAPITAL MARKETS

## Pacific Telephone reshapes bond issue

By Stewart Fleming in New York

PACIFIC TELEPHONE and TELEGRAPH, a subsidiary of American Telephone and Telegraph, the largest single corporate borrower in the New York bond market, has restructured this week's planned \$300m financing because of the collapse in the market.

With bond prices again under pressure on Monday and yesterday, Pacific Telephone has cut its proposed 40-year bond issue from \$200m to \$100m and increased from \$100m to \$200m the tranche of eight-year notes it will sell to investors today.

The move is the latest in a series of changes in plans by corporations raising cash in the bond markets, tending to confirm predictions that companies will have to finance themselves more heavily by issuing shorter maturity securities or by relying on their banks because of investors' reluctance to commit funds for 30 and 40 years in a period of such uncertainty.

Some money market economists have raised the possibility of a permanent shift in the structure of the U.S. bond market on these lines. A development which would have far-reaching implications for a company such as AT and T, which is expecting to try to raise \$500m this year.

The Pacific Telephone issue will be the first serious test of the corporate bond market since the Federal Reserve raised this discount rate to 13 per cent two weeks ago. It follows a \$2.5bn U.S. Treasury five-year note issue yesterday.

In the money markets, short-term interest rates have remained firm with yields on Treasury bills soaring to new highs at Monday's regular bill sale. The three-month bill was sold at an average return of 13.7 per cent, up from the previous record of 13.182 per cent set a week ago, and the six-month bill at a record of 13.629 per cent compared with 13.013 a week ago.

For the second consecutive day yesterday, the Federal Reserve was active draining reserves from the banking system through matched sales of securities.

## AMERICAN QUARTERLIES

BANK OF MONTREAL

	1979	1978
First quarter	CS	CS
Revenue	62.4m	53.3m
Net profit	1.27	1.22

DOMESTIC PETROLEUM

	1979	1978
Year	CS	CS
Revenue	181.7m	122.1m
Net profit	3.30	2.79

FOSTER WHEELER

	1979	1978
Fourth quarter	CS	CS
Revenue	43.1m	42.1m
Net profit	11.5m	11.3m
Net per share	0.71	0.68

Year

	1979	1978
Revenue	1.85bn	1.48bn
Net profit	47.2m	41.12m
Net per share	2.86	2.51

HUSKY OIL

	1979	1978
Year	CS	CS
Revenue	1.05bn	772.0m
Net profit	53.1m	65.2m
Net per share	8.40	5.91

KAMER SERVICES

	1979	1978
Fourth quarter	\$	\$
Revenue	117.6m	86.9m
Net profit	13.32m	11.59m
Net per share	0.58	0.53

Year

	1979	1978
Revenue	401.5m	325.5m
Net profit	48.3m	40.6m
Net per share	2.17	1.85

WALTER KIDDE

	1979	1978
Year	\$	\$
Revenue	2.28bn	1.88bn
Net profit	84.1m	68.7m
Net per share	7.95	5.12

LOEWS

	1979	1978
Fourth quarter	\$	\$
Revenue	1.11bn	807.4m
Net profit	90.5m	44.0m
Net per share	5.14	3.82

Year

	1979	1978
Revenue	4.07bn	3.46bn
Net profit	206.58m	158.17m
Net per share	18.19	14.47

MCA

	1979	1978
Fourth quarter	\$	\$
Revenue	387.7m	332.2m
Net profit	44.4m	33.0m
Net per share	1.90	1.42

Year

	1979	1978
Revenue	1.27bn	1.12bn
Net profit	126.7m	128.4m
Net per share	7.95	5.52

PETROFINA CANADA

	1979	1978
Year	CS	CS
Revenue	584.0m	784.0m
Net profit	61.5m	23.3m
Net per share	6.13	2.33

TELEPHONTER

	1979	1978
Fourth quarter	\$	\$
Revenue	51.3m	42.1m
Net profit	4.65m	4.16m
Net per share	0.29	0.25

Year

	1979	1978
Revenue	174.5m	145.4m
Net profit	19.3m	13.5m
Net per share	1.14	0.80

UMC INDUSTRIES

	1979	1978
Fourth quarter	\$	\$
Revenue	90.3m	83.8m
Net profit	4.01m	3.88m
Net per share	0.68	0.62

Year

	1979	1978
Revenue	284.4m	307.6m
Net profit	13.91m	13.07m
Net per share	2.30	2.22

WARD FOODS

	1979	1978
Year	\$	\$
Revenue	301.7m	323.3m
Net profit	17.7m	9.9m
Net per share	1.89	2.28

WHITTAKER

	1980	1979
First quarter	CS	CS
Revenue	266.9m	228m
Net profit	12.11m	8.48m
Net per share	0.83	0.60

## Foreign DM sector again registers heavy losses

BY FRANCIS GHILES

THE DOLLAR sector of the Eurobond market was the only one to show any price gains yesterday. Straight dollar bonds were unchanged on the day, but floating rate note issues moved up a little. The coupon on the \$40m FRN to 1984 for Williams and Glyns was fixed yesterday at 17 1/2%, the highest ever on a floating rate note.

The 15-year \$25m convertible for Gearhart Finance NV, which is managed by S. G. Warburg, was increased to \$50m because of strong demand before being priced at par, to bear 7 1/2 per cent annually.

The bonds are convertible

into the New York listed stock of Gearhart Owen Industries, a company that provides oil and gas well evaluation services. The bonds are convertible at \$60 per share of common stock representing a conversion premium of 12.68 per cent based on the closing price of the shares last Monday of \$53.25.

Deutsche-Mark denominated foreign bonds suffered further falls yesterday, averaging about 1/4 of a point. As on Monday, recent and older issues were being hit indiscriminately. The Banque Paribas du Commerce Extérieur fell by 1 1/2 points to \$14, while the 7 1/2 per cent bond to 1985 for Norway dropped 1 1/2 points to \$44. Some issues fell more heavily, by up to 2 1/2 points.

Prices of Swiss Franc foreign bonds slipped yesterday by about 1/4 point in moderate turnover. Some prices, however, dropped by 2 1/2 points on the day. Dealers said there were signs of institutional investors moving out of Swiss Franc bonds into higher yielding U.S. dollar denominated instruments.

The terms indicated on the new Swiss Franc public issue for Oetwil, Kontraktbank by Swiss Bank Corporation confirm that coupons are rising fast. This prime name is having to pay \$4 for ten years at a price of par.

## Surge in dollar FRN trading

BY OUR EUROMARKETS STAFF

NEW ISSUES of floating rate dollar notes (FRNs) could possibly exceed the volume of fixed rate dollar bonds this year, according to the latest issue of the Amex Bank Review. The volume of FRNs could reach \$60m.

The two key factors behind this boom are the disarray in

fixed rate dollar bond markets and the hardening conditions on syndicated credits. As margins bid by borrowers rise, a number of those countries which are considered better quality risks by the banks, such as OECD members, is likely to switch to bond markets to "avoid the higher costs in bank credit."

The increase in FRNs should feature a rise in bank-bank bank borrowings from sovereign bank quasi-sovereign entities. Last year, total non-bank FRN issues just exceeded \$1bn, up from \$620m in 1978. If OECD sovereign borrowers switch heavily into the FRN market, this figure could well exceed \$2bn.

## Swiss Bank issues first paper

BY JOHN WICKS IN ZURICH

THE Swiss National Bank yesterday began inviting subscriptions for the first issue of money market paper in its own name: the issue is expected to total \$500m.

The paper replaces the so-called sterilisation receipts of hitherto issued by the Con-

federation, but in this first instance it is not being used to tighten liquidity as the "central bank" is also making swap facilities available to the banking system.

It consists of six, nine and 12 months paper with coupons of 4 1/4, 4 1/2 and 4 3/4 per cent, rates set by the National Bank

respectively. The paper will be discountable at the bank during the last three months of maturity. It is also eligible for Lombard rate advances against collateral and can be used as collateral for bank financing.

## FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on February 26

U.S. DOLLAR

Change on

Yield

Issued

Bid

Offer

Day



# Buoyant credit demand lifts HSBC

BY ANTHONY ROWLEY IN HONG KONG

THE Hongkong and Shanghai Banking Corporation (HSBC) yesterday announced group consolidated net profits of HK\$1.01bn (US\$203m) for 1979, an increase of 38 per cent.

The result was very close to the stock market's expectations, analysts had widely predicted a maintenance of profits growth in the second half similar to the 37 per cent recorded at the interim stage.

Last year's increase took place against a background of exceptionally buoyant credit demand in Hong Kong, reflecting a continuing high level of industrial activity, a property boom and heavy consumer spending. Sir Philip Haddon-

Cave, financial secretary is widely expected to unveil a generally deflationary budget today however, and possibly to introduce new measures designed to curb bank lending.

In anticipation of some slowdown in the economy, and consequently in bank lending, this year, the directors of HSBC warned that they did not expect the group to maintain the rate of profit growth seen over the past few years.

A final dividend of 50 cents a share is being recommended for 1979, against 40 cents the previous year, making a total of 74 cents against 53 cents. A three-for-five scrip issue is proposed. The bank said that it

expected to pay a final dividend this year of not less than 47 cents on the expanded capital.

HSBC and its majority-owned subsidiary, the Hang Seng Bank, account for around one-fifth of the total capitalisation of Hong Kong's stock exchanges, and the lack of any real surprise in today's figures from the bank is likely to result in a continued weak trend in the market pending the budget, and while expectations linger of a further rise in interest rates to offset renewed capital outflows and a marked weakening of the Hong Kong dollar.

Michael Lafferty adds: Despite the fuss in the U.S. about the

Hongkong and Shanghai's accounting and disclosure policies, yesterday's announcement provides no indication that the bank is prepared to depart from past practices in its published accounts. The figures reported above are arrived at after making transfers to secret "inner" reserves. Accordingly, it is not possible to tell whether the reported profit increase is an accurate reflection of results over the year.

Hongkong and Shanghai could, however, be affected by proposed U.S. accounting and disclosure rules for foreign bank holding companies recently issued by the Federal Reserve Board.

# AGF plans rights issue to attract private capital

BY TERRY DODSWORTH IN PARIS

ANOTHER STEP towards attracting private capital into France's nationalised sector is expected shortly from Assurances Générales de France, one of the country's largest insurance companies.

Like Société Générale, one of the big three state banks, AGF is planning a rights issue to which the Government is not expected to subscribe. This procedure, which will raise some FFr 70m (\$17.5m) through a one-for-ten issue of 100,000 new shares, is designed to bring stock market finance into the company and reduce future pressure on Government funds.

AGF, like the banks, has already seen some dilution of its state holding since the 1973 law, which gave companies the right to distribute shares to their employees.

Further projects to raise private capital are expected later this year from the other big banks, although they may not all seek straightforward injections of equity. Other more profitable companies in the state sector, such as some of the aerospace groups, may also be induced to seek similar funding during their expansion programmes over the next few years.

# Safmarine well ahead at midway

By Jim Jones in Johannesburg

SOUTH AFRICAN Marine Corporation (Safmarine), the national carrier, has benefited from earlier capital expenditure on containerisation during the six months to December 31, 1979. With better freight rates on higher bulk trade demand, pre-tax interim profits rose to R20m (\$34.7m), compared with R7m in the corresponding period of 1978, and R25m for the year to June 30, 1979. The latest profits included R5.2m from the sale of a tanker.

During fiscal 1979, Safmarine's profits suffered from a relatively heavy interest bill, but interest payments are expected to fall, at least temporarily, as the group's recent 38m rights issue is applied to reduce near-term borrowings.

This could be a short-term gain in management has earmarked funds from the rights issue for investment in new bulk carriers.

First-half turnover rose to R183m (\$226m) compared with R145m in the corresponding period of 1978 and R131m in the year to June 30, 1979. On its increased share capital, Safmarine has raised first-half earnings per share from 17.5 cents to 31 cents. In fiscal 1979, earnings came to 47.7 cents per share and a dividend of 17 cents was paid.

# Second-half recovery at SAAN

By Our Johannesburg Correspondent

AFTER a first-half profit setback, South African Associated Newspapers (SAAN)—the publisher of the Rand Daily Mail, Financial Mail, and Sunday Times—has announced a 35.3 per cent operating profit advance to R4.51m (\$4.96m) for the year to December 31, 1979, compared with R3.33m for 1978. The improved results are almost entirely due to higher advertising volumes and revenues.

For the first time in some years, the management is confident of better earnings. Further increases are expected in newspaper and distribution costs, but this should be more than offset by better advertising revenues.

Earnings per share came to 12.5 cents, against 12.5 cents and 12.5 cents in 1978 and 1979 respectively. Dividends of 38 cents have been paid.

# Kyoto Ceramic placement

KYOTO—Kyoto Ceramic, the Japanese electronic components manufacturer, is to issue 4m new shares in the form of American depositary receipts in the U.S. and other overseas markets through public placement, with payment to be made in late April.

One American depositary share equals two common shares, and the issue price has yet to be decided, Kyoto Ceramic said yesterday.

The company also said that it plans a two-for-10 scrip issue, raising its capital from Y3bn to Y3.5bn (\$15.3m).

Reuter

# Akzo returns to dividend list

BY CHARLES BATCHELOR IN AMSTERDAM

AKZO, the Dutch chemicals group, yesterday announced that it has achieved its target of net profit exceeding Fl 200m (\$103m) in 1979. It plans to pay a final dividend for the first time in five years.

Net income was boosted by incidental factors, such as stock profits and the company's tax position, but Akzo also reported a strong improvement in earnings from chemical products and coatings. Earnings also rallied in the Netherlands, where for some time the company has performed less well than abroad.

Akzo made a provisional net profit after extraordinary items of Fl 228m (\$117m), compared with profits of only Fl 24m in 1978. Sales rose by 13 per cent to Fl 12bn (\$6.2bn) on a combination of increased shipments and higher sales prices. It will ask shareholders to approve a final dividend of Fl 1.40 per

Fl 20 nominal share, making a total for the year of Fl 2.40. Akzo last paid a dividend of Fl 1 in 1974.

The result was in line with the forecast made by the board in November. The improvement in chemical products and coatings earnings was largely due to higher shipments and the better use of capacity. Operations in the Netherlands showed a profit after the significant loss of the previous year. Akzo paid no tax on its domestic profits.

Stock profits amounted to Fl 120m, though not all of this can be considered as extra profit, since for some products Akzo was unable to raise selling prices sufficiently to recoup the higher raw-material prices, it said.

Net profit before extraordinary items rose to Fl 255m from Fl 49m. Extraordinary losses, primarily provisions for

the streamlining of the company's activities, mainly in the fibres division, amounted to Fl 57m compared with Fl 25m.

Net profit per share rose to Fl 9.63 from Fl 1.66 before extraordinary items. After these items, profit rose to Fl 7.70 from Fl 0.82.

Sales rose in all of the company's three divisions. Man-made fibres sales rose by 8 per cent to Fl 3.85bn, while chemical products and coatings sales rose 19 per cent to Fl 4.7bn. Both sectors saw sales fall slightly in 1978. Sales of pharmaceuticals, consumer and other products rose 10 per cent to Fl 3.5bn. Intra-group deliveries, which are not counted in overall sales, amounted to a practically unchanged Fl 120m.

The company's workforce fell by a further 200 during the year to 83,000.

# Sapporo hit by cost increases

BY YOKO SHIBATA IN TOKYO

SAPPORO BREWERIES, Japan's second largest brewery, suffered a 36.9 per cent fall in operating profits to Y4.46bn (\$17.9m) for the year to December 1979, due to a slowdown in beer demand and cost rises. Net profits dropped by 11.4 per cent to Y3.12bn, on sales of Y251.28bn (\$1.01bn) up 2 per cent on a year earlier. Profits per share slipped back to Y11.54 from Y13.52.

The Japanese brewery industry had enjoyed a rapid growth in demand in recent years. Shipments of beer went up by 13 per cent in 1977, and by 7 per cent in 1978 but hit a ceiling in 1979, and rose by only 1 per cent with Sapporo itself shipping 0.6 per cent less.

The slowdown in demand for beer was aggravated by cool weather last summer. Sales of soft drinks, accounting for 6 per cent of total turnover, were 2 per cent lower, due to both the cool weather, and heavy competition in the industry.

The sharp fall in operating profits was chiefly attributed to Y2.4bn worth of cost increases. Sapporo has lifted its consumption of domestic wheat and barley from 14 per cent to 24 per cent following government encouragement to farmers to switch from rice growing.

Domestic barley costs 3.5 times as much as imports, however, and with the yen's depreciation

making imports expensive as well, profits were squeezed.

For the current fiscal year ending December, earnings will depend on when, and by how much, the company can mark up beer prices. Both Sapporo and another brewer Asahi, have to wait for the decision of Kirin Brewery which has more than 60 per cent of the market.

The three companies are planning to raise beer prices in late March or April and if the increase goes through, Sapporo expects to maintain earnings at the 1979 level.

The company has postponed a Y1.5 commemorative dividend for the 30th anniversary of its founding.

# KLK chairman forecasts record year

BY OUR KUALA LUMPUR CORRESPONDENT

KUALA LUMPUR KEPONG, Malaysia's fourth largest plantation group, is expected to enjoy another record year of profits, Senator Lee Loy Seng, the chairman, said in the annual report.

The group, which has 87,000 acres of palm oil and rubber, can expect higher yields from its palm oil estates, many of which will be reaching peak production in the next few years. Rubber production is also expected to increase as new areas, under replanted high

yield clones, come under tapping.

Currently, KLK's planted acreage is divided as to 42 per cent for rubber and 58 per cent for palm oil, and out of this, 27 per cent of the rubber and 10 per cent of the palm oil are immature.

Commodity prices, particularly for rubber, are much higher than last year, but Senator Lee cautioned that the sluggish economic growth in the industrialised countries, and political conflicts in other coun-

tries, may adversely affect prices.

Senator Lee said that the group was planning to build a palm oil refinery at Pasir Gudang part in Johore to process the vast amount of palm oil that is being produced by its estates in the state.

During the last financial year, ended in September 1979, KLK increased its pre-tax profits by 32 per cent to 60.4m ringgit (US\$23m). It is paying a final dividend of 15 per cent, bringing the total to 25 per cent.

# Growth slows at Hongkong Telephone

BY OUR HONG KONG CORRESPONDENT

HONGKONG TELEPHONE Company has announced net profits of HK\$226.3m (US\$46m) for 1979—an 18 per cent increase over the previous year and somewhat below the order of increase shown over the past few years.

The rate of profits growth slowed down in the second half of last year as rising operating costs offset the benefits of an increase in call charges. The

net profit figure is before transfers made under the official "scheme of control" in accordance with which the utility is constituted.

A final dividend of HK\$1 per share is being recommended, an effective increase of 10 per cent after adjusting for last year's one-for-ten scrip issue. This makes a total for the year of HK\$1.50 per share, compared with an adjusted HK\$1.36

A further scrip issue of 3-for-20 is being recommended, and the Board expects to increase dividends in line with the expanded capital this year. The company's turnover rose by 22 per cent to HK\$1.14bn (US\$229m) last year.

The Hongkong and China Gas rights issue is expected to raise HK\$89m and not HK\$31m as reported last week.

# Genting rivals bid for rubber companies

BY WONG SUIKONG IN KUALA LUMPUR

GENTING BERHAD, the Malaysian casino and hotel group, has entered the bid arena for the three rubber companies controlled by the Hong Kong-based Kadoorie family with a cash offer worth some 180m ringgit (US\$82.4m).

Genting's offer for the three companies is in each case 10 Hong Kong cents higher than the offer made by Malaysian property tycoon, Tan Sri Lee Yan Lian.

Malaysian financial circles feel the Genting bid is likely to succeed as all the interested parties have given their approval.

The Genting offer, through its wholly-owned subsidiary Asiatic Development, is HK\$9.9 per share for Rubber Trust, HK\$8.1 for Amalgamated Rubber Estate, and HK\$12.1 for Shanghai Kelantan Estate.

Genting said the amounts it is offering are about equal to estimated net asset value for each of the independently held rubber companies' shares.

Rubber Trust holds about 41 per cent of Amalgamated which, in turn, holds 25 per cent of the former. Rubber Trust also has 45 per cent of Shanghai Kelantan. Under the scheme of arrangement to effect the Genting acquisition, these interlocking holdings will be cancelled.

At the year-end—September 1978—the net asset value of Rubber Trust was HK\$8.23, Amalgamated HK\$6.22, and Shanghai Kelantan HK\$10.59.

Genting told the Kuala Lumpur Stock Exchange it had received the consent of the influential Malaysian Foreign Investment Committee to go ahead with the bid and has lined up the necessary finance.

The directors of the three rubber companies and their financial advisers, Schroders and Chartered, have said that the offer was fair and reasonable and that they would recommend that their shareholders vote for the proposals.

The Genting bid created a

major surprise in the market as it was originally thought Tan Sri Lee would succeed. There was no comment from him but he is not expected to make a counter-offer.

Genting's chairman, Tan Sri Lim Goh Tong, is understood to have had discussions with Tan Sri Lee about the situation before coming into the picture.

Tan Sri Lee was believed to be having difficulties in raising the necessary funds and it was then that Genting was approached.

Wardley has withdrawn as Tan Sri Lee's financial adviser and is now acting for Genting.

Unlike Genting, Tan Sri Lee, who is in his 70s, has also upset the Malaysian authorities by failing to get approval for his bid from the Foreign Investment Committee. Instead, he formed a Malaysian-incorporated company.

Genting operates a highly profitable casino in Genting Highlands, 30 miles from Kuala Lumpur. Conscious of its

dubious image in a Moslem country, it has been actively looking to diversify.

Three years ago, it made an offer for Golden Hope Plantations, but the offer was frustrated by Harrisons and Crosfield, which merged the plantation company with two others to form Harrisons Malaysian Estates.

The three Kadoorie rubber companies have been the subject of Malaysian acquisition interest since November 1978, when Highlands and Lowlands made an unsuccessful offer.

Highlands and Lowlands came back with a higher offer last August, but later withdrew, apparently because of differences within its board over the price.

The three Kadoorie-controlled companies between them own 33,700 acres of rubber and palm oil estates, some of which have real estate development potential which both Tan Sri Lee and Genting are obviously interested in exploiting.

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Credit Chimique

and provided by  
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Toronto Dominion Bank

PKBanken International (Luxembourg) S.A.  
Banque de l'Indochine et de Suez  
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Credit Chimique

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PKBanken

January, 1980

PK

# Telecommunications deal for Olivetti and Matra

BY PAUL BETTS IN ROME

OLIVETTI, the leading Italian electronics and office equipment group, has signed a major manufacturing agreement with the telecommunications sector with the Matra company of France.

The Italian group said yesterday that the agreement envisaged joint production by the two companies of automatic long distance transmission equipment for use by international postal services. The jointly produced new equipment is expected to be launched on the market next year.

The company, which is expected to report an operating profit for 1979, saw its consolidated group sales total more

than L1,800bn (\$2,21bn) last year. Olivetti is also expected to carry through a further major capital increase this year after the recent operations which lifted the company's share capital to L200bn.

# TNT boosts first-half profits 80%

By James Forth in Sydney

THOMAS NATIONWIDE Transport, the international transport group, boosted net first-half profits by 80.5 per cent, from A\$11.5m to A\$20.8m (US\$22.58m). The result is only A\$2.5m short of the figure earned for 1978-79, and TNT directors said yesterday that they expect a significant rise in profits for the full year. TNT had previously reported a profits increase of 90 per cent for the first quarter.

The result equalled earnings of 26.5 cents a share compared with 15.6 cents a year earlier and provides ample cover for the interim dividend of 6 cents a share, up from 5 cents last year. The result was achieved on a sales increase of 30 per cent, from A\$302m to A\$393m.

The directors said the profits increase was broadly based, coming from most areas of operations.

The result included equity profits of certain associated companies, mainly Bulkships Ltd. and Trans Ocean Liners. The investment in the airline, transport and television group Ansett Transport Industries and shipping group McIlwraith McEachern were included only on a dividends-received basis.

TNT lifted its holding in Ansett from 13.9 per cent to 22.5 per cent, and has made a bid to increase its stake to 50 per cent. The other 50 per cent is already owned by the International Press Group, The News Corporation. The stake in McIlwraith was raised during the period from 15.8 per cent to 44.2 per cent.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy these securities, but appears as a matter of record only.

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Dillon, Read &amp; Co. Inc.

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Goldman, Sachs &amp; Co.

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Lazard Frères &amp; Co.

Lehman Brothers Kuhn Loeb

L. F. Rothschild, Unterberg, Towbin

Salomon Brothers

Shearson Loeb Rhodes Inc.

Smith Barney, Harris Upham &amp; Co.

Warburg Paribas Becker

Crowell, Weedon &amp; Co.

Wertheim &amp; Co. Inc.

Bateman Eichler, Hill Richards

New Court Securities Corporation

Yamaichi International (America), Inc.

Atlantic Capital

Basle Securities Corporation

Daiwa Securities America Inc.

Sanyo Securities America Inc.

The Nikko Securities Co.

Nomura Securities International, Inc.

Nippon Kangyo Bank International Inc.

Sanyo Securities America Inc.

New Japan Securities International Inc.

Nippon Kangyo Bank International Inc.

Sanyo Securities America Inc.

Sanyo Securities America Inc.

February 27, 1980



## NEW YORK

<b>JAPAN (continued)</b>				
+ or -	Feb. 26	Price Yen	+ or -	
-0.02	Makita	1,080	-40	
-0.02	Marubishi	561	-40	
-0.06	Marui	561	-40	
-0.02	Matsumoto	688	-40	
-0.02	Matsuda	646	-40	
-0.02	Mitsubishi Bank	418	+20	
-0.02	Mitsubishi Corp.	805	-40	
-0.02	Mitsubishi RI Est.	380	-10	
-0.12	MNI	827	-80	
-0.10	Mitsui RI Est.	610	-20	
-0.02	Mitsui Steel	416	-40	
-0.10	Mitsubishi	428	-80	
-0.02	Nippon Densetsu	1,160	-20	
+0.05	Nippon Gakko	700	-40	
-0.02	Nippon Kasei	588	-40	
+0.01	Nippon Oil	1,960	+30	
-0.02	Nippon Shipman.	604	-40	
-0.02	Nippon Steel	518	-40	
-0.02	Nippon Suisen	820	+1	
-0.02	NTV	5,000	-40	
-0.02	Nissan Motor	725	+6	
-0.02	Nishin Floot	355	-40	
-0.02	Nishin Steel	185	-40	
-0.02	Nomura	410	-20	
-0.02	Oji Paper	820	-40	
+0.10	Olympus	785	-20	
-0.10	Orient	805	-80	
-0.02	Panasonic	588	-20	
-0.02	Ranfome	550	-40	
-0.02	Rich	570	-40	
-0.02	Saito Electric	588	-40	
-0.02	Sapporo	234	-40	
-0.02	Seikuri Prefab.	680	-10	
-0.02	Shimizu	588	-40	
-0.02	Shindai	965	+10	
-0.02	Sony	1,640	-20	
-0.02	Stanley	375	-40	
-0.02	Tokai Electric	588	-40	
-0.02	Taisei Denryo	670	-10	
-0.02	Taisai Corp.	725	-40	
-0.02	Taiyo Photo	565	-40	
-0.02	Takeda	488	-18	
-0.02	TDK	160	-40	
-0.02	Tokai Oil	388	+45	
-0.02	TBS	525	-5	
-0.02	Tohto Marine	612	-7	
-0.02	Tokai Electric Power	120	-7	
-0.02	Tokyo Sanyo	578	+43	
-0.02	Tokyo Soda	325	-40	
-0.02	Tokyo Corp.	238	-7	
-0.02	TOTO	490	-20	
-0.02	Toshiba	416	-40	
-0.02	Toyota Motor	808	-8	
-0.02	Victor	1,050	-10	
-0.02	Yamaha Motor	685	+25	
-0.02	Yamazaki	497	-3	
-0.02	Yokohama Spec.	305	-40	
-0.02	Yokoyama Bldg.	651	-19	

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[illegible]

Most falls were sustained in the morning with the market trading within a narrow range for the rest of the day. The Hang

Light 30 cents to HK\$18.80  
Heavy 30 cents to HK\$19.00

however, put on another HK\$135, still helped by the results.

## Australia

index receded 8.52 to 859.17 and the Metals and Minerals index 60.39 to 5,691.01. Coal and Allied fell 40 cents to \$59.40 after reporting lower half-year profits.

Utah dipped 10 cents to AS4.20, Peko-Wallsend 50 cents to AS3.50, Queensland Mines 30 cents to AS6.40, Ashton Mining 15 cents to AS2.90, North Broken Hill 25 cents to AS3.30 and Renison Tin 50 cents to AS18.50.

However, CRA rallied 10 cents to A\$5.90 and BHP 5 cents to A\$12.95.

Among Oils, Central Pacific shed A\$1 to A\$43. Southern Pacific 50 cents to A\$15.50 and

**Johannesburg**

Gold shares tended to harden in active trading as the Bullion price improved in London. Durban Deep gained 150 cents to R34.00, President Brand 50 cents to R39.50 and FS Geduld R4. to R4.50.

		[JAPAN (continued)]			
	+ or -	Feb. 25	Price Yen		+ or -
1	-0.19				
2	+0.02	Makita	1,050		-46
		Hamachi	355		+5

0	-0.05	Marudai	561	-45
0		Marudai	685	-5
0		Maru	692	-3
0		Matsushita	645	-5
2		M'ta Elec Works	415	
2		M'bishi Bank	700	+2
2	-0.08	M'bishi Corp	808	
2	-0.02	M'bishi Elec	390	-10
3		M'bishi Ry Est		

0.02	MHI	198	5
0.12		357	5
-0.10	Mitsui Co.	317	5
-0.05	Mitsui Rtr Est.	430	5
-0.10	Mitsukoshi	483	5
	NGK Insulators	1,160	50
	Nippon Denso	700	5
-0.05	Nippon Gaike	415	5
+0.05	Nippon Meat		5

+0.81	Nippon Oil	1,560	+50
-0.84	Nippon Shippan.	604	-5
-0.02	Nippon Steel	138	-1
-0.02	Nippon Suisan	820	+1
-0.03	NTV	5,000	
	Nissan Motor	723	+6
-0.02	Nisshin Flour	355	+4
-0.25	Nisshin Steel	185	+9
0.20			

-0.20	Nomura	403	-2
+0.10	NYK	320	-2
-0.10	Olympus	735	-2
-0.15	Orient	900	-9
	Pioneer	1,930	-50
	Readnow	550	
-0.01	Ricoh	570	+2
-0.08	Sanyo Elec.	398	-1
		334	-1

-0.02	Sapporo	234	+1
-0.05	Sekisui Prefab	590	-10
-0.07	Sharp	570	-10
-0.04	Shiseido	985	+10
+0.02	Sony	1,640	
-0.02	Stanley	410	-5
-0.05	S'tomo Marine	273	-4
-0.05	Taihei Dengyo	670	-10
-0.15	Tokai C	993	-2

-0.83	Taisei Corp.	222	+2
-0.85	Taiho Pharm.	565	+5
-0.08	Takeda	489	-12
-0.55	TDK	2,830	
-0.64	Teijin	180	+5
	Teikoku Oil	938	+25
	TBS	535	-5
	Tokio Marine	612	-7

—0.06	Tokyo Elect. Pwr.	889	+4
—0.05	Tokyo Gas	180	+2
—0.05	Tokyo Sanyo	578	+2 1/2
—0.05	Toshiba	198	+1
—0.15	Tokyo Corp.	238	—1
—0.50	TOTO	430	—5
—0.01	Toyo Seikan	418	—3
—0.05	Toyota Motor	808	—2
	Watanabe	1 060	—10

-0.02	Wutor.....	1,050	-20
	Wacoal.....	755	-7
-0.20	Yamaha Motor.....	865	+25
-0.05	Yamazaki.....	497	3
-0.01	Yasuda Fire.....	300	+1
	Yokogawa Edge.....	651	-14

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**SINGAPORE**

	Feb. 26	Price ¢	+ or -
Boustead BHD	4.44		
Cold Storage	3.42		+1.18
DSS	5.70		+0.15
ES	6.10		

	Fraser & Neave.....	5.10	
	Haw Par.....	1.97	+0.05
	Incheap Shd.....	2.40	+0.04
	Malay Banking.....	9.05	+0.05
	Malay Brew.....	5.15	
-0.10	OCBC.....	8.45	+0.10
-0.10	Pan Elect.....	1.75	+0.04
.....	Sime Darby.....	4.26	+0.05
.....	Straits Trg.....	9.55	

	Feb. 26	Price Rand	+ or -
UOB	4.30		+0.75

-0.00	Abercom	2.55	-0.85
-0.05	AE & C.	7.1	-0.95
-0.08	Anglo Am. Cp	15.35	+J.55
	Barlow Rand	9.55	
	Buffels	37.25	-0.25
	CNA Invests.	4.10	
	Gurrie Finance	1.51	8.92
+ or	De Beers	11.1	+0.1

—	East Drie .....	25.5	+0.5
	FS Geduld .....	58	+4
+1	Gold Fields SA .....	84.25	+0.25
—1	Highveld Steel .....	4.05	
—4	Hulett .....	7.40	
—1	Kloof .....	50.5	—0.5
—12	Nedbank .....	5.75	—0.25
—7	OK Bazaars .....	14.00	

	Protea Hldgs.	2.97	0.96
	Rembrandt	6.45	0.06
	Rennies	2.95	
+1	Rust Plat.	5.70	+0.85
+1	Sage Hldgs.	2.45	0.26
-1	SA Brews.	3.05	+0.1
-10	SAPPI	6.15	
+4	Smith CG Sugar	11.5	0.5

-7	Sorgho.....	1.70	.....	
-5	Tiger Oats.....	14.35	-0.14	
-60	Uniser.....	2.00	.....	
-80	<b>Financial Rand US\$1.05</b>			
+5	<b>(Discount of 15%)</b>			
-3				
+1				
-15				

BRAZIL			
	Feb. 25	Price Cruz	+ or -
Aceita		1.25	+ 0.07

+14	Banco Brasil	2,80	+0,01
	Banco Itau	1,60	
-15	Beige Min.	2,52	-0,02
	Lojas Amer.	1,40	
	Petrobras PP	2,50	
	Pirelli	1,96	
	Souza Cruz	3,40	-0,01
-1	Unip PA	6,30	
+2			

-3  
 +14  
 -20  
 -25  
 Vale Rio Doco .... 4.55  
 T'over Cr:721.8m. Vol: 252.00  
 Source: Rio de Janeiro SA  
 Spanish prices, Page 2  
 this page are as quoted on

100 are last traded prices. 5 Dashed  
 1000 are Ex scrip num. yr Ex num.



## Silver supplies adequate

NEW YORK — Silver supplies are still adequate to meet industrial needs in spite of soaring prices in 1979, which was the market's most volatile year, Handy and Harman, the US refiner, said.

The question of the metal's availability is entirely one of price, they said, in their annual review of the silver market. The review blamed overvalued speculative buying in silver futures, motivated by forces other than supply and demand, as a main factor in the market's performance.

Non-Communist world industrial and commercial silver use in 1979 was little changed at 432.8m ozs, while mine production rose about 2 per cent.

## Bullion broker joins LME ring dealers

JOHNSON MATTHEY Commodities, a subsidiary of the Johnson Matthey group, were yesterday formally accepted as ring-dealing members of the London Metal Exchange, effective from April 1.

The company has been an associate member of the Exchange for some time, but will now become the 31st company entitled to trade on the Metal Exchange, "ring."

Johnson Matthey are one of the five London bullion brokers involved in the gold and silver "fixings" as well as being a leading trader in platinum, and in recent years have also moved into other metals.

Another bullion broker, Sharps Pixley, became a ring-dealing member of the Metal Exchange last year.

## Shopstewards reject Inco pay offer

SHOPSTEWARDS representing striking workers at Inco Europe, Clydach, nickel refinery in South Wales are recommending rejection of a new pay offer aimed at ending the 19-week-old strike, the Amalgamated Union of Engineering Workers has said.

The 31 per cent pay offer was agreed yesterday by the company and full-time officials of the four striking unions. The officials will recommend acceptance of the offer at a mass meeting of all the striking workers tomorrow, but shop stewards are still holding out for 40 per cent.

## U.S. bans Soviet phosphate trade

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT CARTER has ordered a ban on shipments of phosphate fertilisers to the Soviet Union, in a political move to penalise Moscow further for its intervention in Afghanistan.

The embargo announced by the Commerce Department after much debate within the Administration, affects one big barter trade deal signed in the detente years of the early 1970s, whereby Occidental Petroleum agreed to supply the Soviets with U.S. phosphates in return for another fertiliser material, anhydrous ammonia.

Philip Klutznick, commerce secretary, said the phosphates ban "forcefully demonstrates our refusal to do business as usual" with the Russians. Occidental executives said they would support the government's decision. But the move obviously could jeopardise ammonia shipments to the U.S. Occidental officials said they would discuss the future of the barter deal with the Russians.

Russians in Helsinki next week. James Galvin, head of Occidental's agricultural products division, was quoted as saying his company had prepared alternative markets for its phosphates in India, Indonesia and Brazil. These countries had previously been supplied by Tunisia and Morocco and the Soviet Union could be expected now to buy more from north Africa.

Mr. Carter's politically-inspired action affecting Occidental's \$200m, 20-year deal with the Soviet Union seems largely designed to show American farmers that they are not the only sector being asked to make sacrifices in the cause of standing up to the Russians. However, the phosphate decision may in fact hurt American farmers. In anticipation of a retaliatory Russian ban on ammonia exports to the U.S., domestic U.S. prices of ammonia, used by many farmers here, have already started to rise.

Kenya has embarked on a five-year campaign to produce 200,000 tonnes a year of which 100,000 tonnes would be exported, it added. Renter

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## EEC limits Thai tapioca imports

BY DAVID BUCHAN IN WASHINGTON

BANGKOK — EEC member countries will limit imports of Thai tapioca pellets to the 1978 level of 5.9m tonnes annually and have allocated \$2.3m to Thailand to help substitute other crops.

Commerce Minister Ob Vassarat has said. Mr. Ob was speaking on his return from the EEC where he tried to assure importers that the quality of Thai tapioca would be improved.

He said various penalties such as the closure of mills and legal action would be imposed on merchants found to have adulterated the quality of tapioca products for export.

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## Saving the Gezira scheme

BY JAMES BUXTON, RECENTLY IN SUDAN

A BIG injection of cash by the World Bank, agreement on which is now being finalised, is regarded in Sudan as a vital first step to arrest the decline of the famous Gezira irrigation scheme, where most of the country's cotton exports are grown.

About \$30m (£13.17m) is to be allocated to the Gezira out of a total of \$65m to buy machinery and other equipment of which the Gezira Board has been starved for shortage of foreign exchange.

The Gezira, covering about 2m acres, and called the largest farm in the world, was created by the British before World War II. It has long been regarded as a successful example of partnership between the Sudan government, the Sudan Gezira Board which decides the acreage of different crops and provides inputs, and the tenants who farm individual plots and provide labour.

At the SGB's headquarters at Barakat there is an obvious sense of continuity and orderliness in operating the British system, while many of the field inspectors who supervise the tenants still drive Morris Minors.

But yields of long staple cotton have fallen from about 5 kantar per feddan (25 kilos per acre) between 1969 and 1975 to only 2.8 in 1978-79, and the quality of cotton lint has dropped because of poor pest control, bad ginning and lack of classification of grades.

This is serious for Sudan since cotton accounts for about two-thirds of its export earnings. It has been selling its cotton at a substantial discount on prevailing world prices.

Maintenance of the Gezira had been running down for more than a decade, but the decline accelerated sharply after the decision in 1974 to intensify land use by cutting down the amount of land left fallow each year and diversifying away from cotton into other crops—groundnuts, wheat, sorghum, rice and vegetables. One aim was to meet the country's food needs, another to reduce dependence on a crop whose marketing had always proved tricky.

But the new policy required more fuel, fertiliser and chemicals, better land preparation using heavy machinery, and a high standard of canal maintenance to ensure there was enough water at peak times.

To be successful the plan needed large amounts of foreign exchange at a time when hard currency was becoming very scarce in Sudan, since the country was embarking on an over-ambitious and under-financed development drive.

After two or three seasons land preparation standards were declining, canals were becoming clogged with weeds and were silting up, or disappearing altogether, telephone communications vital to managing water over distances of up to 200 miles had broken down, and fuel and spare parts were short. The SGB also found it increasingly difficult to find foreign exchange from the central bank to import the fertiliser and chemicals it needed in sufficient quantities at the right time.

An economic boom in Sudan caused congestion in Port Sudan and on the vital railways slowing down transport into and out of the scheme. Labour for the tedious task of cotton picking became harder to find. Recently the Gezira has only been meeting half its labour needs at picking time, in spite of recruiting in the far west of the country and attempting to attract workers from Chad and Ethiopia.

As yields dropped and the cost of production rose, tenants grumbled at the low or even negative return they made on cotton when proceeds were distributed after land and water charges, and note of the charges, and wheat has become the most popular crop for the tenants since it is planted, sprayed and harvested mechanically by the SGB, and can be sold for cash in the field to private traders, as irregularly can groundnuts.

As a result cotton, making up only 31 per cent of the 1.6m acres planted in 1978/79, has to bear all the expenses of the scheme and the SGB has made bigger and bigger losses. Yet many outside observers believe that wheat yields are generally too low to justify growing this crop on irrigated land (which effectively means that Sudan must accept that it will always have to import this commodity, even if it obtains a large amount of it free under U.S. PL480 commodity aid).

In mid-1978 Sudan agreed with the International Monetary Fund to make the tenants pay land and water charges on other crops as well as cotton, and to increase the cotton acreage again. But the Gezira was hit by bad floods at planting time and the imposition of the charges was shirked. Last year, following the signing of a three-year agreement with the IMF, the government tried to impose the charges but the well-organised tenants, their incomes squeezed to the point that many have emigrated to oil-rich Gulf States, went on strike and for a time refused to plant the new cotton crop.

The charges remain top priority for the IMF and are a condition of the current World Bank financing package, which should allow the Gezira's foreign exchange needs, allow a start to be made on getting yields up again and allow maintenance to begin again. One suggestion is that the board should take the charges on land and water for wheat and groundnuts out of the proceeds of the 1978-80 cotton crop—but this would be highly unpopular. The imposition of the charges would pave the way to a badly needed overhaul of the relationship between government, board and tenants.

On the wheat acreage on the Gezira is down from 31.6 per cent to 24 per cent of the total for the current season, while cotton is up to 36.4 per cent from 31 per cent. But much of the crop is suffering from sickness as a result of infestation by whitefly—consequence of plant protection problems—and ginning quality is still low.

As a result, though, Sudan has already sold nearly 300,000 bales of its long staple cotton (well over half and all its medium and short staple mainly grown away from the Gezira). But for long staple it had been asking only 5 cents more than the price at which it initially sold the 1978-79 crop last June. Since then, the Cotton Outlook index for the respective days before Sudan began marketing had gone up from 75 to 95.4. Sudan is missing out on the cotton boom.

Richard Butler, National Farmers' Union president, headed a delegation to Peter Walker, Minister of Agriculture, to press for aid for the hard-pressed Gezira industry.

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Other forms of energy saving that growers should be looking at included the use of wind and solar energy. Dr. Robinson said that by the end of the 1980s a new style of glasshouse industry would evolve in the UK, which would be entirely independent of oil as its main source of energy. In the short term this would involve greater use of coal and "wind", but in the long term parts of the industry would have to be relocated to use power-station waste heat.

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## SUDAN COTTON

BY JAMES BUXTON, RECENTLY IN SUDAN

A BIG injection of cash by the World Bank, agreement on which is now being finalised, is regarded in Sudan as a vital first step to arrest the decline of the famous Gezira irrigation scheme, where most of the country's cotton exports are grown.

About \$30m (£13.17m) is to be allocated to the Gezira out of a total of \$65m to buy machinery and other equipment of which the Gezira Board has been starved for shortage of foreign exchange.

The Gezira, covering about 2m acres, and called the largest farm in the world, was created by the British before World War II. It has long been regarded as a successful example of partnership between the Sudan government, the Sudan Gezira Board which decides the acreage of different crops and provides inputs, and the tenants who farm individual plots and provide labour.

At the SGB's headquarters at Barakat there is an obvious sense of continuity and orderliness in operating the British system, while many of the field inspectors who supervise the tenants still drive Morris Minors.

But yields of long staple cotton have fallen from about 5 kantar per feddan (25 kilos per acre) between 1969 and 1975 to only 2.8 in 1978-79, and the quality of cotton lint has dropped because of poor pest control, bad ginning and lack of classification of grades.











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## BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1979-80	1978-79	1977-78	1976-77	1975-76	1974-75	1973-74	1972-73	1971-72	1970-71	1969-70	1968-69	1967-68	1966-67	1965-66	1964-65	1963-64	1962-63	1961-62	1960-61	1959-60	1958-59	1957-58	1956-57	1955-56	1954-55	1953-54	1952-53	1951-52	1950-51	1949-50	1948-49	1947-48	1946-47	1945-46	1944-45	1943-44	1942-43	1941-42	1940-41	1939-40	1938-39	1937-38	1936-37	1935-36	1934-35	1933-34	1932-33	1931-32	1930-31	1929-30	1928-29	1927-28	1926-27	1925-26	1924-25	1923-24	1922-23	1921-22	1920-21	1919-20	1918-19	1917-18	1916-17	1915-16	1914-15	1913-14	1912-13	1911-12	1910-11	1909-10	1908-09	1907-08	1906-07	1905-06	1904-05	1903-04	1902-03	1901-02	1900-01	1899-00	1898-99	1897-98	1896-97	1895-96	1894-95	1893-94	1892-93	1891-92	1890-91	1889-90	1888-89	1887-88	1886-87	1885-86	1884-85	1883-84	1882-83	1881-82	1880-81	1879-80	1878-79	1877-78	1876-77	1875-76	1874-75	1873-74	1872-73	1871-72	1870-71	1869-70	1868-69	1867-68	1866-67	1865-66	1864-65	1863-64	1862-63	1861-62	1860-61	1859-60	1858-59	1857-58	1856-57	1855-56	1854-55	1853-54	1852-53	1851-52	1850-51	1849-50	1848-49	1847-48	1846-47	1845-46	1844-45	1843-44	1842-43	1841-42	1840-41	1839-40	1838-39	1837-38	1836-37	1835-36	1834-35	1833-34	1832-33	1831-32	1830-31	1829-30	1828-29	1827-28	1826-27	1825-26	1824-25	1823-24	1822-23	1821-22	1820-21	1819-20	1818-19	1817-18	1816-17	1815-16	1814-15	1813-14	1812-13	1811-12	1810-11	1809-10	1808-09	1807-08	1806-07	1805-06	1804-05	1803-04	1802-03	1801-02	1800-01	1799-00	1798-99	1797-98	1796-97	1795-96	1794-95	1793-94	1792-93	1791-92	1790-91	1789-90	1788-89	1787-88	1786-87	1785-86	1784-85	1783-84	1782-83	1781-82	1780-81	1779-80	1778-79	1777-78	1776-77	1775-76	1774-75	1773-74	1772-73	1771-72	1770-71	1769-70	1768-69	1767-68	1766-67	1765-66	1764-65	1763-64	1762-63	1761-62	1760-61	1759-60	1758-59	1757-58	1756-57	1755-56	1754-55	1753-54	1752-53	1751-52	1750-51	1749-50	1748-49	1747-48	1746-47	1745-46	1744-45	1743-44	1742-43	1741-42	1740-41	1739-40	1738-39	1737-38	1736-37	1735-36	1734-35	1733-34	1732-33	1731-32	1730-31	1729-30	1728-29	1727-28	1726-27	1725-26	1724-25	1723-24	1722-23	1721-22	1720-21	1719-20	1718-19	1717-18	1716-17	1715-16	1714-15	1713-14	1712-13	1711-12	1710-11	1709-10	1708-09	1707-08	1706-07	1705-06	1704-05	1703-04	1702-03	1701-02	1700-01	1699-00	1698-99	1697-98	1696-97	1695-96	1694-95	1693-94	1692-93	1691-92	1690-91	1689-90	1688-89	1687-88	1686-87	1685-86	1684-85	1683-84	1682-83	1681-82	1680-81	1679-80	1678-79	1677-78	1676-77	1675-76	1674-75	1673-74	1672-73	1671-72	1670-71	1669-70	1668-69	1667-68	1666-67	1665-66	1664-65	1663-64	1662-63	1661-62	1660-61	1659-60	1658-59	1657-58	1656-57	1655-56	1654-55	1653-54	1652-53	1651-52	1650-51	1649-50	1648-49	1647-48	1646-47	1645-46	1644-45	1643-44	1642-43	1641-42	1640-41	1639-40	1638-39	1637-38	1636-37	1635-36	1634-35	1633-34	1632-33	1631-32	1630-31	1629-30	1628-29	1627-28	1626-27	1625-26	1624-25	1623-24	1622-23	1621-22	1620-21	1619-20	1618-19	1617-18	1616-17	1615-16	1614-15	1613-14	1612-13	1611-12	1610-11	1609-10	1608-09	1607-08	1606-07	1605-06	1604-05	1603-04	1602-03	1601-02	1600-01	1599-00	1598-99	1597-98	1596-97	1595-96	1594-95	1593-94	1592-93	1591-92	1590-91	1589-90	1588-89	1587-88	1586-87	1585-86	1584-85	1583-84	1582-83	1581-82	1580-81	1579-80	1578-79	1577-78	1576-77	1575-76	1574-75	1573-74	1572-73	1571-72	1570-71	1569-70	1568-69	1567-68	1566-67	1565-66	1564-65	1563-64	1562-63	1561-62	1560-61	1559-60	1558-59	1557-58	1556-57	1555-56	1554-55	1553-54	1552-53	1551-52	1550-51	1549-50	1548-49	1547-48	1546-47	1545-46	1544-45	1543-44	1542-43	1541-42	1540-41	1539-40	1538-39	1537-38	1536-37	1535-36	1534-35	1533-34	1532-33	1531-32	1530-31	1529-30	1528-29	1527-28	1526-27	1525-26	1524-25	1523-24	1522-23	1521-22	1520-21	1519-20	1518-19	1517-18	1516-17	1515-16	1514-15	1513-14	1512-13	1511-12	1510-11	1509-10	1508-09	1507-08	1506-07	1505-06	1504-05	1503-04	1502-03	1501-02	1500-01	1499-00	1498-99	1497-98	1496-97	1495-96	1494-95	1493-94	1492-93	1491-92	1490-91	1489-90	1488-89	1487-88	1486-87	1485-86	1484-85	1483-84	1482-83	1481-82	1480-81	1479-80	1478-79	1477-78	1476-77	1475-76	1474-75	1473-74	1472-73	1471-72	1470-71	1469-70	1468-69	1467-68	1466-67	1465-66	1464-65	1463-64	1462-63	1461-62	1460-61	1459-60	1458-59	1457-58	1456-57	1455-56	1454-55	1453-54	1452-53	1451-52	1450-51	1449-50	1448-49	1447-48	1446-47	1445-46	1444-45	1443-44	1442-43	1441-42	1440-41	1439-40	1438-39	1437-38	1436-37	1435-36	1434-35	1433-34	1432-33	1431-32	1430-31	1429-30	1428-29	1427-28	1426-27	1425-26	1424-25	1423-24	1422-23	1421-22	1420-21	1419-20	1418-19	1417-18	1416-17	1415-16	1414-15	1413-14	1412-13	1411-12	1410-11	1409-10	1408-09	1407-08	1406-07	1405-06	1404-05	1403-04	1402-03	1401-02	1400-01	1399-00	1398-99	1397-98	1396-97	1395-96	1394-95	1393-94	1392-93	1391-92	1390-91	1389-90	1388-89	1387-88	1386-87	1385-86	1384-85	1383-84	1382-83	1381-82	1380-81	1379-80	1378-79	1377-78	1376-77	1375-76	1374-75	1373-74	1372-73	1371-72	1370-71	1369-70	1368-69	1367-68	1366-67	1365-66	1364-65	1363-64	1362-63	1361-62	1360-61	1359-60	1358-59	1357-58	1356-57	1355-56	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# FINANCIAL TIMES

Wednesday February 27 1980

**Tarmac**  
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## Tootal to axe 1,300 more jobs

By Rhys David, Textiles Correspondent

TOOTAL IS to cut its labour force by 1,300 in further scaling down its involvement in basic spinning and weaving activities. The textile group is already in the process of closing a number of clothing factories in Northamptonshire and London with the loss of 800 jobs. It will, however, spend £5m on re-equipping one of its two remaining spinning mills at Lisnaskea in Northern Ireland, though about 40 jobs will be axed there.

Most of the latest redundancies will be a Portwoud in Stockport and at Pendlebury in Swinton, where mills which manufacture the company's industrial sewing thread will shut. Production will be transferred to the Lisnaskea site which, together with another single-storey plant at Belper, Derbyshire, will be the company's UK thread manufacturing base.

Production of thread in modern buildings will, Tootal said yesterday, allow substantial energy savings, enabling it to remain competitive with U.S. and other suppliers. The group exports about a third of its UK thread output, mostly to the Continent.

The group is also to close its last remaining cotton yarn mill at Stanhill, Accrington, and will shut one of its two weaving mills, Sunnyside at Bolton. Production will be concentrated at Vale, in Blackburn, to which a number of looms from Sunnyside will be transferred. A total of 1,050 jobs will be lost in the three spinning closures and a further 250 jobs at the weaving plant.

Mr. Robert Audley, Tootal's chairman, said the plants now due to be closed had lost £5m over the past five years. It was no longer practicable to starve potentially profitable operations in order to support areas unlikely ever to pay.

It was unlikely, too, that the next round of the General Agreement on Tariffs and Trade multi-fibre arrangement after 1981 would be as tough on import curbs as the present one. With Greece, Spain and Portugal all likely to enter the EEC as full members it made sense to move out of areas in direct competition with low cost imports.

The move virtually completes Tootal's transformation over recent years from an integrated textile producer with extensive spinning, weaving and finishing capacity and clothing production into a much more specialist concern.

The group, which has extensive overseas thread manufacturing operations, sees itself principally now as a decorator of fabric in the UK and already imports large quantities of cloth for dyeing and printing. It is also extensively engaged in UK clothing manufacture.

Mr. Audley said the company would be moving into new areas to fill gaps in its product ranges. This could mean further expansion in leisure wear.

The redundancies will come into effect after the statutory 90-day period. The group says full consultations will take place with the trades unions and efforts will be made to find alternative employment in Tootal for those who lose their jobs.

## Scottish agency chief to quit

MR LEWIS ROBERTSON, 57, deputy chairman and chief executive of the Scottish Development Agency since it was set up five years ago, announced yesterday that he will not seek reappointment when his term of office ends next January.

The scheme—backed by the UK-based Imperial Chemical Industries, the German-based groups BASF and Bayer, the Dutch-based DSM and the French-based Rhone-Poulenc—was attacked last night by a major naphtha-producing country as an attempt to control the market. This was denied by the companies.

The scheme will effectively provide the first price indicator for naphtha sold on a quarterly

## Steel unions urge poll boycott

BY CHRISTIAN TYLER, LABOUR EDITOR

STEELWORKERS will be told by their unions today to boycott the "ballot about a ballot" which the British Steel Corporation has decided to conduct in an attempt to end the eight-week strike on its terms.

The strikers' response to this union advice could be the acid test of present political enthusiasm for ballots as a means of ending strikes. Ministers have been heartened by the use of the secret ballot by BL—even though the second BL exercise, on pay, went against the management.

In the House of Commons Mrs. Margaret Thatcher, the Prime Minister, supported the ballot plan: "I believe that workers who have been without a pay packet for some eight weeks and without strike pay as well have a right to expect to be consulted about their wishes for the future."

It is understood that the 100,000 members of the Iron and Steel Trades Confederation and of the National Union of Blast-furnacemen will be advised not to return the papers, which will be sent to their homes by the Electoral Reform Society as soon as BSC has supplied addresses.

Whatever the response, this BSC initiative has effectively frozen the informal negotiations that resumed last week. The union leaders' defiance has been little affected by the revolt of several thousand of their private sector members, who have decided to stop supporting the sympathetic strike.

Most private steelmakers in Sheffield expect to be back in production early next week. The ISTC said yesterday that balloting could add another three or four weeks to the strike when a readiness on the part of BSC to negotiate on the

two unions' counter-proposals could end the dispute much sooner. The union last night claimed that the difference between the two sides was much smaller than the BSC maintained.

However, the unions' arithmetic glosses over one of the major sticking points in the negotiations—the extent to which the unions are prepared to make productivity commitments in return for money.

The first ballot, which could be completed by the end of next week, is designed to test the strikers' interest in a second ballot on the offer itself. But corporation executives, realising that union co-operation for the second ballot is unlikely, have yet to decide whether to conduct that one as well.

Last night Mr. Sandy Feather, national strike co-ordinator of the ISTC, said the double ballot

was designed "not to end the strike, but as a last-ditch attempt to salvage some credibility."

The three spent conducting ballots would cost the BSC more than twice as much as settling on the unions' terms, he said.

Mr. Feather's statement follows a private letter to Mr. Bill Sirs, ISTC general secretary, from Mr. Bob Scholey, BSC's chief executive.

Mr. Scholey wrote that the financial gap between the two sides was large "and we can see no way of bridging our differences." A 15-month deal had not been ruled out, but money was the obstacle.

The corporation is planning a propaganda campaign of its own to bolster the secret ballot. Workers will simply be asked whether they want another vote on the 14 per cent offer.

Steel Strike effects, Page 8

## Matthoefer attacks EEC farm costs

BY JONATHAN CARR IN BONN

HERR HANS MATTHOEFER, the West German Finance Minister, has launched one of his strongest attacks yet on the costs of the Common Agricultural Policy, stressing that savings measures can no longer be delayed.

He expressed support for the European Commission's strategy aimed at cutting the financial burden of CAP, and dropped a broad hint that EEC Economics and Finance Ministers would step in if the Farm Ministers could not agree on appropriate measures.

Herr Matthoefer made his statement to the press service of his social democratic party in a clear attempt to win even broader support among his political allies for CAP changes

he believes are essential.

In the past Social Democrat Party efforts to bring farm policy changes have foundered on opposition from Herr Josef Ertl, the Agriculture Minister, who is a member of the Free Democrat Party, the Bonn Coalition's smaller partner.

Herr Matthoefer noted that efforts to reduce the growth of EEC farm expenditure to an acceptable level had so far been unavailing. The problem had become acute, as the EEC had little budgetary room for manoeuvre left and new, poorer states would become members before long.

He noted that the Commission's proposals to cut the costs of surplus production were

along lines agreed by Bonn. He stressed that the measures, when fully carried out, should lead to savings of about 1bn units of account (£670m).

Herr Matthoefer did not directly link his attack on the costs of CAP to Britain's demands for a cut in its net contribution to the EEC budget this year, estimated at about £1bn.

But Bonn Government officials believe effective savings on CAP are an essential part of any package deal through which Britain's demands may be partly met.

It is hoped the European Council meeting on March 31 and April 1 may bring agreed on such a package. But it is recognised there is a long way to go, even after the talks in

London on Monday between Chancellor Helmut Schmidt and Mrs. Margaret Thatcher.

The talks, which are said to have been extremely frank, were at least partly inspired by Herr Schmidt's concern that insufficient progress was being made on the budgetary issue. The fear is that a lengthy blockage could spread to other sectors, with serious financial and legal consequences.

The dispute is also thought to have figured in the talks here yesterday between Lord Carrington, the Foreign Secretary, Herr Schmidt and Herr Hans Dietrich Genscher, the West German Foreign Minister.

Britain and the EEC Budget Page 15

## Bank Governor to join NEDC

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

MR. GORDON RICHARDSON, Governor of the Bank of England, is to become a member of the National Economic Development Council at its meeting next Wednesday, when the Government will make its second attempt in four months to coax union leaders into a dialogue on the country's economic problems.

The appointment of Mr. Richardson, the first Governor to become a member of the 17-year-old council, was announced last night by Sir Geoffrey Howe, the Chancellor.

Speaking to the biennial dinner of the Engineering Employers' Federation in London, the Chancellor also took the unusual step of intervening in the federation's own affairs.

He suggested that its system

of two tier pay bargaining might need to be changed in the wake of last year's national engineering strike.

The Government has decided to stage a second debate on macro-economic issues at next week's NEDC meeting despite the fact that union leaders will attack the Government's stance on the steel strike.

The TUC may also warn that the Government's general policies are endangering trade union co-operation with the council and its sector working parties.

Significantly, Sir Geoffrey delivered his most outspoken support for the council and its working parties in last night's speech.

"The Government values

these discussions highly. They are a means of creating public awareness of economic realities," he declared.

The Government wanted to strengthen both the NEDC's contribution to the understanding of economic policy, and to improve the links between industrial and financial policy and between the institutions involved.

It was in this context that Sir Geoffrey announced Mr. Richardson's appointment to replace Lord Rolf, chairman of S. B. Warburg, on the council.

But he did not go any further in spelling out the work that the NEDC might do, and so stopped short of discussing the creation of an economic forum to influence pay bargaining.

## Weather

**UK TODAY**  
 FOG, clearing later, in north. Cloud followed by rain in south. London, Central S. England, E. England  
 Extensive fog, freezing in places. Rather cold. Max. 5C (41F).  
 Wales, Channel Islands, S.W. England  
 Mostly cloudy and dry. Normal. Max. 7C (45F).  
 W. Midlands, N. England  
 Mist, sunny periods later. Near normal. Max. 6C (43F).  
 Scotland, Shetland, Orkney, N. Ireland, Isle of Man  
 Sunny intervals, rain later. Normal. Max. 7C (45F).  
 Outlook: Dry after some showers. Below normal.

	Y'day	Today	Y'day	Today
	midday	midday	midday	midday
Alicante	12	15	12	15
Amsterdam	10	12	10	12
Athens	14	16	14	16
Bahrein	20	22	20	22
Barcelona	14	16	14	16
Belfast	7	9	7	9
Bombay	24	26	24	26
Buenos Aires	18	20	18	20
Calcutta	24	26	24	26
Canton	18	20	18	20
Cebu	24	26	24	26
Colon	24	26	24	26
Hankow	18	20	18	20
Harbin	12	14	12	14
Hong Kong	18	20	18	20
Kobe	18	20	18	20
London	10	12	10	12
Lyons	10	12	10	12
Manila	24	26	24	26
Medan	24	26	24	26
Osaka	18	20	18	20
Paris	10	12	10	12
Peking	12	14	12	14
Rangoon	24	26	24	26
San Francisco	18	20	18	20
Shanghai	18	20	18	20
Singapore	24	26	24	26
Sourabaya	24	26	24	26
Taipei	18	20	18	20
Tientsin	12	14	12	14
Yokohama	18	20	18	20

## Unemployed

Continued from Page 1

That was the eighth consecutive monthly drop and brought the total decline since last June to 71,000, or 27 per cent.

In addition to cuts in recruitment, industry appears to be shedding labour. Notified redundancies—not the whole total—are expected to have been about 22,000 in January, roughly twice as many as in the same month of the previous two years.

The rise in unemployment would have been even larger but for an increase in the effect of the Government's special employment measures. At the end of January they were keeping 305,000 people off the unemployment register, a rise of 10,000 in the month.

Total unemployment, seasonally unadjusted and including school-leavers, rose by 18,350 in the month to mid-February, to 1.49m.

## Capital taxation

Continued from Page 1

when the value of stocks is rising. Geoffrey said: "Overall a severe squeeze on liquidity is inevitable. This means that many of you are concerned about the recovery of stock relief which you will face as a result of the involuntary reduction in steel stock levels."

He added that while he could not say more now, he was "well aware of the problem, and I am considering most attentively the representations I have received."

The Government is also considering whether to seek Parliamentary approval for not increasing income-tax allowances fully in line with inflation under the Lawson-Rooker-Wise amendment to the Finance Act 1977. This would be in order to hold down public sector borrowing and to limit the need for rises

in indirect taxes which would boost the inflation rate.

Full implementation of the amendment—raising allowances by about 18 per cent—would cost around £2.25bn in lost revenue in 1980-81. One possibility being examined by Ministers is that the 3½ to 4 per cent rise in the inflation rate due to last June's Budget would be deducted from the rise in allowances since this has, according to ministers, already been covered by last year's income tax cuts.

Ministers are, however, acutely aware of the political problems involved in a decision which would increase the real income tax burden and would mean that their specially designed tax and price index would be rising more rapidly than the retail prices index.

## Bid to stabilise naphtha prices

BY SUE CAMERON, CHEMICALS CORRESPONDENT

FIVE MAJOR European chemical companies have agreed to publish the average quarterly price they pay for their naphtha—the oil-based raw material that is vital for petrochemical production—in a bid to curb price fluctuations. The first figure will be published within a week.

The scheme—backed by the UK-based Imperial Chemical Industries, the German-based groups BASF and Bayer, the Dutch-based DSM and the French-based Rhone-Poulenc—was attacked last night by a major naphtha-producing country as an attempt to control the market. This was denied by the companies.

The scheme will effectively provide the first price indicator for naphtha sold on a quarterly

contract basis. During the past year the contract price of naphtha has doubled.

ICI said yesterday that the scheme was intended to give the chemical industry time to adjust to the market during periods of turbulence. Last year the spot naphtha price sometimes rose by \$20 a tonne in one day. ICI said such uncertainty made it difficult for petrochemical producers to adjust the prices of products made from naphtha in time to recover the higher costs.

Under the scheme, the five companies will individually report the contract prices they negotiated at the start of each quarter to Klynveld Kraayenhof, a Dutch-based auditing firm. None of the companies will be told of their competitors' figures.

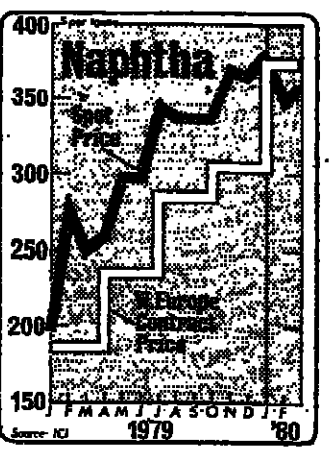
Their figures will be checked, for eligibility—naphtha sales by major oil companies to their chemical subsidiaries will not be eligible—and a weighted average price will be calculated. ICI said the European Commission and the UK Office of Fair Trading had been notified about the plan. The five companies hope other chemical and oil companies will join in.

The scheme is intended to have some impact on prices for naphtha sold on the type of contract which allows frequent price adjustments in line with the spot market. Countries such as Kuwait, the Soviet Union, Saudi Arabia, Algeria, Libya, Egypt, Rumania and Yugoslavia often sell naphtha to European chemical companies under contracts which fix volumes but not prices. Most contracts between

the chemical companies and the major oil companies fix a price for three months.

Spot naphtha prices are usually lower than those of quarterly, fixed price contracts. Last year this position was reversed. Spot prices, which cover only a small percentage of total naphtha sales volumes, overtook contract prices in their rise from around \$200 a tonne at the start of 1979 to \$400 a tonne by December. Contract prices rose in their wake.

But in the last few weeks spot prices have started to fall back below contract prices again. Most chemical companies now pay about \$375 a tonne for contract naphtha but the spot price is down to about \$350 a tonne. ICI, which said that last year its naphtha bill was \$180m more than in 1978, has been buying

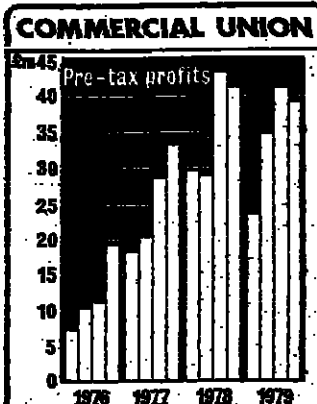


about 70 per cent of its total requirements on a fixed contract basis and the rest at spot related prices. The group said that certain naphtha producing countries—such as Kuwait and the Soviet Union—were "new to the pricing game." During the past year some had been selling "substantial tonnages" of naphtha at high spot-related prices.

## THE LEX COLUMN

# NatWest reaches high plateau

Index fell 0.1 to 453.6



In a rather sleepy gilt-edged market, there was little enthusiasm last night about today's new issue, Treasury 14 per cent 1986, although it is priced roughly in line with similar stocks. But only £160m, however is required to exhaust it in the partly-paid form in which it will trade for three weeks, and recent experience suggests it can pay to buy at tender rather than in a scramble on Thursday morning.

## National Westminster

National Westminster paused for breath in the second half of 1979 after doubling its pre-tax profits to £220.6m in January-June. Although average base rate rose further in the second half, and volume was also moving ahead, profits stayed at £220.6m in July-December, a gain of only 12 per cent compared with the same period of 1979. Thus performance fell a good way short of Lloyds' 41 per cent advance in the second six months.

So the market, its appetite earlier whetted by the strong Lloyds showing, trimmed 15p off the NatWest share price, taking it to 355p. But over the years the growth of the Big Four clearers tends to come much into line, although for 1979 NatWest's overall pre-tax growth at 44 per cent emerges 5 percentage points behind that of Lloyds, the latter had lagged by some 15 points in 1978.

Domestic banking has, of course, dominated the picture by pushing its contribution up by two-thirds. The benefit of high interest rates has to some extent been eroded by a narrowing of the spread between base rate and the retail deposit rate, while there has also tended to be some weakening of the relative growth of current accounts, especially later in the year. But high rates have allowed the clearers to absorb big cost rises, of which there are more to come judging by the imminent pay claim of anything up to 32 per cent.

Although National Bank of North America has made a lacklustre early showing, it is encouraging that the international side of NatWest has made positive profits, progress in a difficult year. Certainly the group has outscored Lloyds in this respect, though on the other hand the new disclosures of bad debt provisions confirm a much higher charge by NatWest, especially in specific items, where the 1979 charge is £25.6m against just £1.9m for Lloyds.

After a 30½ per cent rise in

are an eighth higher in dollar terms. But because of trends in North America, there is little doubt that group underwriting losses this year will be substantially higher than the £21.3m of 1979.

The U.S. operating ratio has already deteriorated from 88.5 to 102.5 per cent and could easily climb by another four points in a period when premium rates are being held down and inflation is accelerating. Insurance analysts still hope that the current cyclical downturn will be relatively shallow—but there are no recent precedents for the current rate of price increases in the U.S.

All the same, it is possible that CUI's pre-tax profits may be a little higher this year, for investment income is rising at an underlying rate of about a fifth. Meanwhile, the balance-sheet is sound, and the gross dividend has gone up by a tenth. The cover is still on the low side for the insurance sector, but the payment looks secure and the yield at 142p is 10½ per cent.

## Cluff Oil

With Cluff Oil's announcement yesterday of a \$2.24m rights issue coming hot on the heels of the flotation of Berkeley Exploration, entrepreneurs are cashing in with gusto on the current speculative enthusiasm for secondary oil stocks. Cluff has been around a lot longer than most of the fringe companies—being formed in 1972—and it has bankable results in its interest in the Buchan Field, which should give the company a positive cash flow within 12 months. But with Cluff's Buchan interests unlikely to be worth more than 130p a share on the most optimistic assumptions, there is still a large speculative element in the 355p share price—unchanged yesterday.

From Cluff's point of view it is a particularly attractive time to tap market interest. The seventh UK licensing round is expected in the near future and healthy cash levels will give it an appropriately solid appearance. Nevertheless, the shares look extravagantly priced, and this kind of issue could only succeed at moments of great enthusiasm.

## Commercial Union

In line with recent expectations, Commercial Union's profits for 1979 are down from £142.2m to £137.6m pre-tax: currency translation differences more than account for the setback. U.S. underwriting losses have been contained in the final quarter, and the group says it is satisfied with the early results of its U.S. expansion: premiums

holding up well, and the growing contribution from titanium should keep profits on a modestly rising trend. Net borrowings rose by only £4m last year, and the dividend is twice covered by current cost earnings. At 50p, up 5p yesterday, the yield is a solid 1½ per cent, and the historic p/e around 6½, fully taxed.

IMI has turned a £2.1m fall in pre-tax profits at the interim stage into a £2.5m advance, to £24.5m, in 1979 as a whole. The engineering strike did relatively little damage compared with the haulage dispute last January—IMI as a whole does not belong to the Engineering Employers' Federation—and a 4½ per cent rise in export volume offset the group's pricing difficulties to some extent.

The first effects of the group's rationalisation plan, combined with better market conditions in France, pulled the troubled ship fastener business out of loss in the second half of last year. And there are two major business areas in which IMI's performance has been very strong. These are building materials, which now account for 30 per cent of pre-tax profits thanks to the never-ending home improvement boom, and IMI Titanium, which is enjoying an increasing flow of aerospace orders. Profits from this source are probably running at between £7m-£10m a year now.

So far this year demand is holding up well, and the growing contribution from titanium should keep profits on a modestly rising trend. Net borrowings rose by only £4m last year, and the dividend is twice covered by current cost earnings. At 50p, up 5p yesterday, the yield is a solid 1½ per cent, and the historic p/e around 6½, fully taxed.

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